

U.S. Department of  
Homeland Security

United States  
Coast Guard



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# **NONAPPROPRIATED FUND INSTRUMENTALITIES (NAFI) MANUAL**

**COMDTINST M7010.5A**

**U.S. Department of  
Homeland Security**

**United States  
Coast Guard**



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COMDTINST M7010.5A  
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COMMANDANT INSTRUCTION M7010.5A

Subj: COAST GUARD NONAPPROPRIATED FUND INSTRUMENTALITIES MANUAL

1. PURPOSE. This Manual sets forth policy and procedures for administering the Coast Guard Nonappropriated Fund Instrumentality (NAFI) Program.
2. ACTION. Area and district commanders, commanders of maintenance and logistics commands, commanding officers of headquarters units, commanding officers of integrated support commands and unit commanding officers shall ensure that the Nonappropriated Fund Instrumentality Program is administered in accordance with policies and procedures contained in this Manual.
3. DIRECTIVES AFFECTED. This Manual cancels the Coast Guard Nonappropriated Fund Activities Manual, COMDTINST M7010.5.
4. CHANGES.
  - a. Although this Manual constitutes a complete revision to the Coast Guard Nonappropriated Fund Activities Manual, COMDTINST M7010.5, policies and procedures as previously promulgated through this Manual are substantially repromulgated through this revision. Significant, noteworthy changes are identified below. Because this revision constitutes a complete rewrite of the existing Manual, users are encouraged to review all applicable sections when administering their NAFI programs.

**DISTRIBUTION – SDL No. 140**

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LEGEND: Non-Standard Distribution copies as indicated above: (1) copy to CGES locations; (2) 1 copy each to CGES & MWR locations; (3) 1 copy each to CGES, MWR & CDC locations.

COMDTINST M7010.5A

- (1) In Chapter 1: Emphasizing the mission of Coast Guard NAFIs which include the Coast Guard Exchange System (CGES), the Coast Guard Morale, Well-being, and Recreation (MWR) Program and the Coast Guard Child Development Centers (CDC).
  - (2) In Chapter 2: Establishing the Coast Guard Nonappropriated Fund Program policy and criteria.
  - (3) In Chapter 3: Establishing that the primary objective of NAFIs is to provide quality goods and services at competitive prices to eligible patrons as part of non-pay compensation benefits.
  - (4) In Chapter 4: Establishing that the Coast Guard NAF Cash Management program utilizes a central banking system for the rapid collection and concentration of cash receipts, efficient disbursement of funds and the investment of excess cash. Participation in this program is mandatory for all CGES activities and available to other NAFIs on a modified basis.
  - (5) In Chapter 5: Establishing that all NAFIs must be able to provide detailed accountability of their financial assets, liabilities, and net worth, and that must also be able to report the financial results of operations over a specified period.
  - (6) In Chapter 6: Establishing policy governing the use of appropriated funds (APFs) and nonappropriated funds to support Coast Guard NAF programs.
  - (7) In Chapter 7: Establishing policy for the activating, operating, and deactivating of satellite operations. The satellite concept allows units to operate a NAFI where a full-scale retail operation is not possible.
  - (8) In Chapter 8: Establishing that the CGES Consolidated Insurance Program, administered by Commandant (G-WPX), provides service-wide coverage to protect the assets and interests of all Coast Guard NAFIs against insurable losses.
  - (9) In Chapter 9: Establishing policies and procedures for procurement by Coast Guard NAFIs.
  - (10) In Chapter 10: Establishing policy regarding the privilege to use the Coast Guard NAF programs.
  - (11) In Chapter 11: Establishing that NAFIs are instrumentalities of the United States Government and are entitled to all immunities afforded the U.S. Coast Guard under the Federal constitution and statutes with regard to taxation.
- b. Recommendations concerning changes to this Manual or the overall Nonappropriated Fund Instrumentality program should be addressed to Commandant (G-WPX).

5. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. Environmental considerations were examined in the development of this Manual and have been determined to be not applicable.
6. FORMS/REPORTS. The following Exhibits contain blank forms which are found in the corresponding Chapters:

Exhibit

- 7-2 CGES Form-OP20007 LRA: Status of Satellite Exchange. (Reproduce locally)
- 7-3 CGES Form-MR20006 LRA: Nonappropriated Fund Daily Activities Sales and Cash Receipt Record for Satellites. (Reproduce locally)
- 7-4 CGES Form-OP20008 LRA: Physical Inventory. (Reproduce locally)
- 8-3 CGES Mishap Report Format. (Reproduce locally)
- 8-6 CG 5190: USCG CGES/MWR Casualty/Liability Insurance Report. (Reproduce locally)
- 10-4 CGES Exchange Visitor Log. (Reproduce locally)
- 10-5 DD Form 2574: CGES Employee Identification Card. (Order from Commandant (G-WPX))
- 10-6 DD Form 2574: ID Card Request Form. (Reproduce locally)

//Signed//  
Sally Brice-O'Hara  
Director of Personnel Management

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## CHAPTER 1. GENERAL

### A. Purpose.

1. The purpose of this Manual is to set policies and administrative procedures for the following Coast Guard Nonappropriated Fund Instrumentalities (NAFIs): the Coast Guard Exchange System (CGES) and the Coast Guard Morale, Well-being, and Recreation (MWR) Program, including Coast Guard Child Development Centers (CDC).
2. Additional policy and procedures applicable to the above NAF Instrumentalities are provided in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series), Child Development Services Manual, COMDTINST M 1754.15 (series) and the Coast Guard Exchange System Standard Operating Procedures (SOP) Manual.

### B. Exclusions. This Manual does not apply to other NAFIs operated by the Coast Guard or other entities that support the Coast Guard and its missions.

### C. Mission. The missions of the Coast Guard NAFIs are multi-faceted.

1. Coast Guard Exchange System. CGES's mission is to provide quality goods and services of necessity and convenience to authorized patrons at competitive prices; and, to generate earnings to support the Coast Guard Morale, Well-being and Recreation program.
2. Morale, Well-being and Recreation. The mission of the MWR program is to uplift the spirits of the Coast Guard family and be an essential element of Coast Guard mission readiness and retention through customer-owned and driven MWR programs and services around the world.
3. Child Development Centers. The Coast Guard CDC mission is to assist CG personnel and their dependents in accessing affordable, quality childcare services and facilities. Additionally, the CDC mission is to assist military and civilian personnel balance the competing demands of family life and the accomplishment of the Coast Guard mission, and to improve the economic viability of the family unit.

### D. Legal Status.

1. Nonappropriated Fund Instrumentalities are instrumentalities of the United States Government. NAFIs are integral U.S. Coast Guard organizations that perform a government function. They act in their own name to provide or assist Coast Guard organizational elements in providing programs for military personnel, their dependents, and authorized civilians. They are not incorporated under the laws of any state or the District of Columbia. As fiscal entities, they maintain custody and control over their nonappropriated funds and administer appropriated fund resources to carry out their purposes.
2. In the absence of specific Federal statutes, Coast Guard NAFIs enjoy the same immunities and privileges as the U.S. government.

3. NAFI concessionaire and contractor-operated activities are private businesses and not instrumentalities of the United States. NAFI privileges and immunities discussed herein do not apply to NAFI concessionaires or contractors.
4. U.S. Coast Guard NAFIs are subject to such regulations as the Commandant, U.S. Coast Guard may prescribe.
5. Nonappropriated fund employees are U.S. Coast Guard employees.
6. Coast Guard NAFIs are operated to support the Coast Guard and its authorized patrons. Coast Guard NAFIs are not operated for the financial benefit of any person and no person has any ownership or financial interest in any NAFI.
7. CGES, CGMWR and CGCDC are support programs of the U.S. Coast Guard. Program direction has been vested in Commandant (G-W).

E. Program Objectives.

1. To optimize the benefits that NAFIs can legally provide Coast Guard personnel and other authorized patrons.
2. To operate NAF activities at all levels in the most efficient manner as integral parts of well-defined and professionally managed programs.
3. To maintain a sound capital structure to ensure continued maintenance, development, and improvement to NAFI resources.
4. To follow those procedures/systems which currently exist to support other Coast Guard programs except where there are requirements unique to the NAFI.
5. CGMWR and CGCDC management/operation shall be decentralized but based upon well-defined Service-wide policy and direction. CGES management/operation is centralized under the control of Commandant (G-WPX).

F. Waiver Requests. Requests for waivers shall be addressed to the respective Program Manager via the chain of command. Waivers from the requirements of this Manual may only be approved by Commandant (G-W), or his/her designee, where special circumstances justify such waivers.

## CHAPTER 2. PROGRAM POLICY/CRITERIA

### A. Command Relationships.

1. Coast Guard Headquarters Trust Fund Board of Control. This Board provides oversight of the Coast Guard Exchange System (CGES) and Coast Guard Morale, Well-being and Recreation (MWR) programs. With respect to CGES and MWR, the Trust Fund Board of Control will serve in the capacity of a board of directors to:
  - a. Review and approve the annual CGES Overhead, CGES/MWR/Child Development Center (CDC) insurance and the Morale, Well-being and Recreation (MWR) budgets.
  - b. Review and approve all proposed capital expenditures for CGES construction that exceed \$300,000 and all construction expenditures for the MWR Account.
  - c. Review and approve the investment policy of the NAF Cash Management Program.
  - d. Review CGES financial operating results quarterly.
2. Commandant (G-W). Subject to the Commandant's general direction through the Trust Fund Board of Control, authority and supervision over Coast Guard NAF Instrumentalities are vested in Commandant (G-W), Assistant Commandant for Human Resources, and further delegated to Commandant (G-WP), Director of Personnel Management. Specific program management (i.e., Program Manager) is vested in Commandant (G-WPX), Chief, Office of CG Exchange and Morale, for the Coast Guard Exchange System and the Coast Guard Morale, Well-being, and Recreation program, and Commandant (G-WKW-2), Chief, Individual and Family Support Division for Child Development Centers.
3. Cognizant Authority. The cognizant authority is that command having oversight responsibilities for NAFI issues or nonappropriated fund distribution responsibilities for subordinate commands. For example, Commandant (G-WPX) is the cognizant authority for Headquarters units and the ISCs for the MWR program. Commandant (G-WPX) is the cognizant authority for the Coast Guard Exchange System.
4. Unit Commanding Officers. Commanding Officers/Commanders/Officers-in-Charge shall ensure that NAF programs are operated in accordance with Coast Guard core values.

### B. Coast Guard Exchange System (CGES) Relationship with Commands. Centralized administration and management of the Coast Guard Exchange System is vested in Commandant (G-WPX). The following delineates command and CGES relationships:

1. Main and branch exchanges operate independently from the host command as a tenant of the command.

2. Satellite and independent exchanges are operated on afloat or ashore units. Commanding officers with satellite exchanges are responsible for the operation of the satellite exchange, using the inventory, working capital, and some administrative support from the parent exchange. Commanding officers with independent exchanges are responsible for the operation of the independent exchange using working capital provided by Commandant (G-WPX). Satellite exchange procedures are contained in Chapter 7 of this Manual. Independent exchanges are for all practical purposes Coast Guard exchanges and, therefore, are bound by this Manual in its entirety except where specifically noted otherwise.
  3. Coast Guard NAF activity managers are responsible for operating the NAF activity in a manner that is consistent with Coast Guard core values.
  4. Commandant (G-WPX) will provide and administer a consolidated insurance program to protect NAF insurable interests that include:
    - a. Casualty insurance for CGES, MWR and CDC NAF employees.
    - b. General liability insurance for NAF insurable interests of the CGES, MWR and CDC programs.
  5. Commandant (G-WPX) will manage a centralized cash management and investment program and appropriate banking services when it is efficient to do so.
  6. Commandant (G-WPX) will provide automated payroll services and administration of the NAF employee benefit plans for eligible NAF employees.
  7. Commandant (G-WPX) will manage a financial audit program conducted by independent resources for nonappropriated fund CGES, MWR and CDC activities.
  8. Commands will provide NAF operations/facilities common services and engineering support consistent with authorized uses and availability of appropriated funds.
  9. Commands will provide NAF employees access to Coast Guard training programs required for all employees.
- C. Relationship Between MWR Programs and the Coast Guard Exchange System (CGES). MWR Programs are the responsibility of the local commanding officer and his/her chain-of-command. The Coast Guard Exchange System activity is the direct responsibility of Commandant (G-WPX). Therefore, it is essential that individual activities be administered under the proper program, either CGES or MWR as described below in paragraphs 1 and 2. Consolidation of local management functions however is authorized, provided that the actual cost of services is allocated to the proper program. Examples would include CGES providing bookkeeping and payroll services to the MWR program. However, separate financial charts of accounts and bank accounts must maintain accountability of MWR and CGES funds.

1. Coast Guard Exchange System. This program includes resale outlets (i.e. exchange stores, package liquor stores, gasoline stations, specialty stores, satellites, etc.) and service activities (i.e., barber shops, laundries, tailors, etc.). Exhibit 2-1 provides a more detailed list of the various types of CGES activities. Administration of the CGES resale program is the responsibility of Commandant (G-WPX).
  2. Morale, Well-being, and Recreation Program. This program includes sports activities and facilities (i.e., bowling, golf, tennis, swimming, etc.), hobby facilities (i.e., crafts, auto hobby, woodworking, etc.), general recreation and family support activities (i.e., theaters, child development centers, recreation areas, etc.), military clubs, community centers, and food service facilities (i.e., cafeterias, snack bars, etc.). Chapter 5 of the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series) provides a more detailed description of the various types of MWR activities. Responsibilities within the MWR program are outlined in Chapter 2 of that directive.
  3. Combination of Activities. Occasionally an activity of one program will include an activity which by the above definition, belongs to the other program (i.e., candy resale at a movie theater). In such cases, the activity will be handled in accordance with Exhibit 2-1, except when it does not make good business sense to have the appropriate program, as defined, operate the activity. For example, if the ticket sales person at the theater operation could also handle candy and popcorn sales, the entire operation may be treated as a MWR activity. If on the other hand, sales are of such a volume that a separate sales clerk may be required, that resale operation may be a CGES activity. Questionable cases should be referred to Commandant (G-WPX) for resolution.
- D. Nonappropriated Fund Personnel Policy. Personnel regulations for CGES, MWR and CDC NAF employees will be governed by policy and procedures established by Commandant (G-WPC), Chief, Office of Civilian Personnel. These regulations are contained in the Nonappropriated Fund Personnel Manual, COMDTINST M12271.1 (series). All NAF employees shall be paid through the centralized NAF payroll system.
- E. Nonappropriated Fund Travel. Nonappropriated funds are authorized for official travel of the NAFI, in accordance with current rules and regulations governing official travel for military members and civilian employees. Travel claims funded with nonappropriated funds shall be processed through the USCG Personnel Service Center (PSC), similar to travel claims funded with appropriated funds. Commands planning travel funded with nonappropriated funds shall submit a travel order number request to Commandant (G-WPX). This request shall be from an individual at the command authorized to commit local nonappropriated funds. Commandant (G-WPX) will provide a travel order number (TONO) and the corresponding accounting information, necessary to complete the travel orders, typically a Military Additional Temporary Duty (TAD) or Civilian Temporary Duty (TD) Request and Travel Order. Once the travel is executed and the travel claim is adjudicated and paid, Commandant (G-WPX) will advise the unit of the charges incurred against the TONO. Reimbursement shall be due upon notification by Commandant (G-WPX). Reimbursement may be affected through the electronic transfer of funds by Commandant (G-WPX) after command notification.

F. Limitations on Activities.

1. The following activities are prohibited:

- a. Independent (civilian, military, or dependent) enterprises are prohibited from operating NAFIs, except as specified in this Manual or as authorized in writing by Commandant (G-WPX).
- b. The operation of games of chance or lotteries, except as authorized in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series), are **not** authorized.
- c. The sale of state tax-free alcohol and tobacco products through any vending machines.
- d. Courtesy cards entitling military or civilian personnel to purchase merchandise from commercial enterprises issued by or in the name of Coast Guard NAFIs.
- e. The use of NAF premises, facilities, or personnel by firms or their representatives for any type of advertising, promotion, or solicitation purposes. This does not preclude free product demonstrations, merchandising assistance, training NAF personnel, or the use of the commercial sponsorship program as defined in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series).

2. Participation in commercial contests involving free prizes or premiums for authorized patrons is authorized.

G. Drinking Age for Coast Guard NAFIs. On Coast Guard installations in the United States, and its territories, the minimum age for purchasing, consuming or possessing alcoholic beverages shall be consistent with the laws of the state or territory in which the installation is located. Guidance on the serving of alcoholic beverages is contained in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series).

H. Uniform Reimbursement. In order to make required uniform items readily available to service members, CGES sells, at cost, military uniforms, which are bought from the Coast Guard Uniform Distribution Center. CGES is reimbursed from appropriated funds for operating costs associated with the sale of issue uniform items.

I. Guns and Ammunition.

1. Coast Guard NAFIs are required to conform to the licensing requirements of the U.S. Bureau of Alcohol, Tobacco, and Firearms (ATF) regulations regarding the sale and security of guns and ammunition for resale.
2. Approval to carry firearms and ammunition for resale shall be requested from Commandant (G-WPX), in writing.
3. Firearms and ammunition for resale shall not be stocked in CONUS NAFIs.

J. Tobacco Sales Policy.

1. CGES and authorized MWR facilities may stock tobacco products and sell them at a lowest possible price as authorized by the Armed Services Exchange Regulations (ASER).
2. MWR facilities may purchase resale tobacco products from the closest CGES retail activity. The MWR facilities may resell only individual packs or inner cartons of the product, unless specifically authorized in writing to sell cartons by Commandant (G-WPX). Tobacco products sold by MWR activities shall be sold at the same prices as the local Coast Guard Exchange (CGX). MWR facilities located more than 100 miles from a CGES facility may request a vendor listing through Commandant (G-WPX).

K. Nonappropriated Fund Vehicles.

1. For the purpose of this section, recreational watercraft is not considered a vehicle. However, those watercraft meeting the criteria for registration as contained in Federal and/or state statutes are insured as a motor vehicle as described elsewhere in this Chapter.
2. The policies contained in this section apply only to those vehicles procured through nonappropriated sources using nonappropriated funds.
3. NAF vehicles are the property of an instrumentality of the United States, and as such are exempt from state licensing and inspection requirements. Although these vehicles are not subject to state inspection requirements, they shall be subject to the same inspection requirements as other Coast Guard vehicles with regard to frequency of inspection, safety requirements, and mechanical soundness. The safety of operators shall never be compromised. Further guidance shall be found in the Coast Guard Motor Vehicle Manual, COMDTINST M11240.9 (series).
4. The use of Coast Guard NAF vehicles is restricted to official NAF business. Only authorized Government employees in the performance of their assigned duties shall operate NAF vehicles. Vehicles shall not be used by individuals for personal gain or benefit or be lent to another party for unauthorized use. Operators shall have in their possession a valid state, District of Columbia, or Puerto Rican motor vehicle operator's license.
5. Operators shall wear a seat belt when operating a NAF vehicle, and are responsible for ensuring that all passengers wear seat belts as well.
6. The following policies apply to the licensing of NAF vehicles:
  - a. NAF vehicles shall be provided specially manufactured license plates to be purchased and distributed by Commandant (G-WPX). Permanent plates may be obtained by written request to Commandant (G-WPX). The request shall include the year, make, model, serial or Vehicle Identification Number, and purpose for each vehicle and/or trailer being considered for licensing.



- b. Vehicle license plates will be provided in pairs. If used on trailers or other equipment which require only one plate, the duplicate plate shall be retained for use in the event of damage or loss to the one in use.
  - c. Vehicle license plates are provided for a specific vehicle and specific purpose. License plates shall not be transferred between vehicles. In case a vehicle is disposed of in any manner, the license plates issued to that vehicle shall be returned to Commandant (G-WPX). Vehicles, as property, shall be disposed of in accordance with the Property Management Manual, COMDTINST M4500.5 (series) and the Motor Vehicle Manual, COMDTINST M11240.9 (series).
  - d. For the purpose of efficiencies, other NAFIs may request MWR license plates for use on their vehicles provided that the NAFI is in full compliance with this section and that any related insurance costs are fully reimbursed to the Nonappropriated Consolidated Insurance Fund.
7. All NAFIs shall establish and maintain records and reports for NAF vehicles as required for all other Coast Guard vehicles as described in the Motor Vehicle Manual, COMDTINST M11240.9 (series).

L. Information Systems.

1. NAF Information Resources.

a. Computer Resources.

- (1) NAF computer resources may be used for authorized purposes only.
- (2) The use of this equipment for any other purpose is governed by Limited Personal Use of Government Office Equipment, COMDTINST 5375.1 (series).
- (3) NAF computers shall only be loaded with officially licensed software. No personal software shall be loaded on NAF computers.

b. Data Communications.

- (1) Access to the Internet using NAF equipment or resources is limited to authorized individuals for authorized purposes only.
- (2) Use of NAF equipment or resources for the development, implementation, or maintenance of websites is limited to official business only.

2. NAF Office Equipment.

- a. Limited Personal Use of Government Office Equipment, COMDTINST 5375.1, provides policy for the use of Coast Guard office equipment (including NAF equipment) for other than official business.
  - b. Government office equipment includes, but is not limited to, computer resources, peripheral computer equipment and software, library resources, telephones, facsimile machines, photocopiers, office supplies, Internet connectivity.
3. Privacy Expectations. In accordance with Limited Personal Use of Government Office Equipment, COMDTINST 5375.1, NAF personnel neither have a right, nor should they have an expectation, of privacy while using any government office equipment at any time. By using Government office equipment, NAF personnel imply their consent to monitoring, recording and disclosing the contents of any files or information maintained or passed through NAF office equipment, with or without cause. In addition, any use of government communications resources is made with the understanding that such is generally not secure, is not private, and is not anonymous.

M. Consolidation of Funds/Distribution of Profits and Required Remittances.

1. Purpose. This section establishes procedures for assessing and collecting Coast Guard Trust Fund remittances.
2. Definitions.
  - a. Reserve for the Replacement of Fixed Assets (RRA). This provision is a non-cash expense set aside (similar to depreciation) of an amount equal to a percentage of NAF sales for providing funds for replacing NAFI assets. The RRA must be kept liquid (cash) to ensure its availability in time of need and must not be used to supplement or replace working capital. These funds may be consolidated by Commandant (G-WPX) for CGES.
  - b. Unit Retained Earnings. These earnings are the portions of net profits that a NAF activity must retain for its net worth to grow. Without this growth, liquidity will be adversely affected and the activity's ability to pay its bills on time and operate efficiently will be degraded.
  - c. Coast Guard Trust Fund Remittances. Remittances are assessed against CGES sales and profits for the following purposes:
    - (1) To redistribute available profits to MWR activities as outlined in Paragraph 2.M.2.d. below.
    - (2) To reimburse the Coast Guard Trust Fund for MWR and CGES insurance costs. This assessment recovers costs of workmen's compensation, general liability, fidelity, and property coverage of NAF programs, and to provide funds for limited self-insurance coverage.

- (3) To provide funds for limited self-insurance coverage.
  - (4) To reimburse the Coast Guard Trust Fund for Commandant (G-WPX) NAF overhead costs. This assessment allocates the costs of HQ NAF salaries and operating expenses and covers all CGES unemployment compensation and computer maintenance costs. Additionally, this assessment is used to pay all NAF payroll and benefit administration expenses.
  - (5) To provide funds for the CGES Capital Improvement Fund, which is maintained by Commandant (G-WPX).
- d. CGES Available Profit Distribution. Available Profit (AP) is determined by subtracting Retained Earnings from Net Profit. AP is normally distributed as follows:
- (1) Units other than Headquarters units with CGES activities:
    - (a) 20 percent of AP to unit MWR.
    - (b) 25 percent of AP for distribution to the appropriate ISC.
    - (c) 30 percent of AP to Commandant (G-WPX) for MWR purposes such as insurance, audits and reviews, overhead expenses, and further distribution.
    - (d) 25 percent of AP to Commandant (G-WPX) for the Construction Fund.
  - (2) Headquarters units with CGES activities:
    - (a) 75 percent of AP to unit MWR.
    - (b) 25 percent of AP to Commandant (G-WPX) for the Construction Fund.
  - (3) Exceptions to Remittance Requirements. Floating units are exempt for all remittance to Commandant (G-WPX).
  - (4) Redistribution of Available Profit. ISCs are authorized to redistribute CGES available profit in support of the MWR program, within their areas of responsibility, upon written request to Commandant (G-WPX) and approval by the Coast Guard Trust Fund Board.
3. MWR Profit Distributions. Profits from MWR revenue generating activities will be retained within the MWR program generating that profit, unless redistributed by the chain-of-command.
4. CDC Remittances. Any profits generated from CDC activities will be used in accordance with the policy established in the Child Development Services Manual, COMDTINST M1754.15 (series).

N. Credit Cards and the Military Exchange Credit (Star) Card.

1. Purpose. To establish a uniform policy regarding the acceptance of credit cards and Star cards from authorized patrons for the purchase of goods and services.
2. General Policies.
  - a. Where feasible and consistent with good business practice, NAF operations will accept credit cards and Star cards for the purchase of goods and services. Credit cards and/or Star cards are not authorized for shipboard NAF operations at this time however, due to credit authorization and electronic processing requirements that are not currently supported in shipboard environments.
  - b. NAF concessionaires will determine whether or not to accept credit cards, unless otherwise contractually obligated to do so.
  - c. There shall be no minimum sale amount for credit card purchases. Prices shall not be increased to offset credit card costs and “discount for cash” or other alternatives that result in different prices depending upon the method of payment shall not be used.
  - d. The Army and Air Force Exchange System (AAFES) will establish Star card limits since AAFES is the holder of these credit accounts. AAFES may run discounts on purchases but these discounts will not result in different prices for goods or services.
  - e. The type of credit card or Star card/programs supported by CGES operations is determined by Commandant (G-WPX). Local commands or cognizant authorities may establish credit card procedures for MWR and CDC activities.
  - f. Commandant (G-WPX) will contract for and administer all credit card processing and Star card programs for CGES activities.

O. Food and Beverage Operations.

1. NAF food and beverage operations are classified as Category C MWR activities, as defined in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series). Policies and procedures regarding the establishment and operation of these activities are found in that directive.
2. In no event shall a NAFI establish a food and beverage operation in direct competition with an existing operation.

P. Personal Service Activities.

1. Authorized personal service activities include all those operations, other than merchandise resale or food operations, which are commonly needed by authorized patrons. These activities include but are not limited to such operations as barbering,

beauty shops, laundry/dry cleaning, clothing alterations, video tape, video disc, video player rental, long-distance telephone service centers, and other approved service and retail operations.

2. If sufficient customer demand and suitable space is available, CGES or MWR, if CGES authorizes in writing, may provide the services.
3. Prices must provide savings to the customer and a realistic return to the NAFI, the contractor, or the concessionaire, as applicable.

Q. Check Approval and Check Cashing Policy.

1. NAF Instrumentalities are authorized to cash personal checks of eligible patrons in amounts consistent with good business practices not to exceed \$100. Proper identification should be presented prior to the cashing of any “first party” checks. For the purposes of this Manual, first party checks are defined as those made payable to the NAF activity and signed by the presenter. No other checks shall be accepted.
2. The check cashing policy shall be posted in locations authorized to cash checks. Check acceptance for cash is subject to local fund availability. All returned checks are subject to bank service charges and handling.

## EXHIBIT 2-1

### SAMPLE CGES AND MWR ACTIVITIES

#### CGES ACTIVITIES

Main Store  
Annex Store  
Convenience Store  
Auto Parts Store  
Food Store  
Gasoline Station  
Package Liquor Store  
Satellite/Independent Store  
Branch Store  
Pro Shops (i.e. Golf and Bowling)  
Barber/Beauty Shop  
Auto Repair, Garage, Car Wash  
Laundry & Dry Cleaners  
Repair Shops  
Tailor  
Florist  
Optician  
Vending Operations

#### MWR ACTIVITIES

Hobby Shops (auto, etc.)  
Vending Operations  
Bowling Centers  
Golf Courses  
Swimming Pools  
Gymnasiums  
Baseball  
Football  
Wrestling  
Theaters  
Boating and Sailing  
Teen Clubs  
Game Rooms  
Camping, Hunting, & Fishing  
Informal Sports  
Gear Lockers  
Camper Rental  
Ticket Programs  
Dependent Activities  
Dances, Parties, & Shows  
Libraries  
Recreational Cottages  
Magazines, Newspapers  
Child Development Centers  
Fitness Centers  
Temporary Lodging Facilities  
Food and Beverage Operations

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## CHAPTER 3. NONAPPROPRIATED FUND BUSINESS ACTIVITIES

- A. Introduction. One of the primary objectives of Nonappropriated Fund Instrumentalities (NAFIs) is to provide quality goods and services at competitive prices to eligible patrons as part of the non-pay compensation benefit. To this end, NAFIs consist of a complex mix of activities that may be authorized some level of appropriated fund support. This Chapter identifies general types of business activities within NAFIs and the processes required in establishing and disestablishing them. For the purpose of this Chapter, “*business activities*” are those that have the highest capability to generate revenue through the sale of goods and services to eligible patrons.
- B. Authorized NAF Business Activities.
1. Authorized MWR Business Activities. All business activities as categorized and authorized in the Coast Guard Morale, Well-being, and Recreation (MWR) Manual, COMDTINST M1710.13 (series). These activities shall be operated exclusively at commands by the MWR program.
  2. Retail operations. Activities selling merchandise for use to eligible patrons. Examples of retail operations include exchanges, groceries, garden shops, package stores, “toylands,” gift shops, sight and sound shops, and convenience stores. CGES has the exclusive right to sell merchandise for resale at Coast Guard installations. In many instances, at smaller operational commands where no local CGES exists, it may not be cost effective for CGES to sell unit-specific merchandise, such as hats, mugs, and logo shirts. In these instances, units are authorized to sell this merchandise through their morale fund, provided that authorization is obtained in writing from Commandant (G-WPX).
  3. Automotive and Service Stations. An activity selling petroleum products, automotive accessories, parts and tools. CGES has the exclusive right for establishing automotive service station activities at Coast Guard commands. This activity shall not conflict and has a different purpose than the MWR Category B automotive skills development center and the incidental sale of parts necessary for individuals to fix and repair their own vehicles.
  4. Food and beverage operations. A direct operation activity which is the responsibility of the MWR program, designed to provide “on-premise” or “on location” sale of food and beverages for immediate consumption (i.e. clubs).
  5. Vending. An activity that provides merchandise for resale through machines. Vending operations may either be CGES or MWR activities as detailed in Chapter 9.I. of this Manual. CGES has the exclusive right to vending operations unless stated in writing that MWR may operate vending at specified locations or on floating units.
  6. Other. Any other resale-type activity not previously defined. These include, but are not limited to activities like, dry cleaning and laundry services, hair salons, shoe and watch repair, optical services, flower shops, and unofficial telecommunications services. These activities are the responsibility of CGES to establish at Coast Guard commands.



C. Establishing NAF Activities.

1. In order to accommodate the ever-changing desires of eligible patrons, commands must consider establishing new or different NAF activities from time to time. Any new business activity can pose a degree of risk, not only to the local NAF activity's net worth, but also to the consolidated nonappropriated insurance program. As such, these NAF activities shall not be established at Coast Guard commands without written authorization from the affected Program Manager. Commands desiring to establish a NAF activity shall forward their written request to Commandant (G-WPX) through the appropriate cognizant authority and chain of command. This written request shall contain a detailed business plan that shall include the following information:
  - a. NAF activity desired.
  - b. Results from any customer survey supporting the customer support for the NAF activity.
  - c. Demographics of the eligible patron base that is expected to support this NAF activity. This should include such information as numbers, ages if applicable, and types of eligible patrons (active duty, dependents, retirees, etc.).
  - d. Location and distance to the nearest military installation having similar activities.
  - e. Availability of similar activities in the local community.
  - f. Price comparisons with local establishments and local military installations providing similar activities.
  - g. Facilities and furnishings available to support the NAF activity.
  - h. *Pro forma* income statement presenting the projected revenue and expenses associated with the operation of the NAF activity. In general, NAF activities that are not projected to be profitable will not be approved.
  - i. Any documentation from affected host or tenant commands regarding the establishment of the NAF activity.
  - j. The completion of required training. This is especially critical in the proposed establishment of a food and beverage operation.
2. Initial capitalization or additional funding requirements for establishing the NAF activity should be submitted in writing to the Program Manager.
3. If approved, written authorization for the establishment of the NAF activity shall be provided. These letters of authorization shall be retained in command files until the NAF activity is disestablished.

D. Disestablishing NAF Activities.

1. When disestablishing NAF activities, commands shall address in writing to the appropriate cognizant authority and chain of command, the following information:
  - a. Comments from affected host or tenant commands regarding the proposed disestablishment.
  - b. Reasons for the proposed action.
  - c. Actions taken to prevent disestablishment.
  - d. The inventory of property associated with this operation and its disposition. Excess and unserviceable property used in a NAF activity, whether obtained through appropriated or NAF sources, shall be disposed of in accordance with the Property Management Manual, COMDTINST M4500.5 (series).
  - e. The cancellation of all outstanding NAF procurements associated with this operation.
  - f. The survey of non-saleable resale merchandise on hand and the disposition of inventories. In many instances, inventory should be sold to other authorized NAF activities or returned to vendors for credit.
  - g. All liabilities must be satisfied using local NAF dollars.
  - h. Assurance that all applicable requirements of the Nonappropriated Fund Personnel Manual, COMDTINST M12271.1 (series) have been strictly followed.
  - i. The notification of the cognizant authority of any potential unemployment compensation claim that may result from the disestablishment.
  - j. The disposition of other NAF activity assets.
  - k. A copy of the final financial reports for the NAF activity.
2. Upon review and approval of all actions taken incident to the disestablishment, Commandant (G-WPX) shall provide the affected command written acceptance of the disestablishment. Once disestablished, a NAF activity shall not be reestablished without going through the process as detailed above for establishment.

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## CHAPTER 4. CASH MANAGEMENT/NONAPPROPRIATED FUNDS CONTROL, BANKING, AND INVESTMENTS

- A. Cash Management. The Coast Guard NAF Cash Management program utilizes a central banking system for the rapid collection and concentration of cash receipts, efficient disbursement of funds, and the investment of excess cash. Participation in this program is mandatory for all CGES activities and available to other NAFIs on a modified basis. Satellite and independent exchanges however, may not participate in this program.
1. CGES Operations. As discussed in section B of this Chapter, a central bank structure is in place to concentrate all CGES cash receipt and disbursement activity. Central accounts, managed by Commandant (G-WPX), have been established to collect all cash receipts, to process Automated Clearing House (ACH) and Electronic Funds Transfer (EFT) transactions, to pay vendors, and to process payroll. These accounts are set up as zero balance accounts such that all disbursements from and deposits to these accounts will be liquidated against the single concentration account on a daily basis. All daily sales receipts deposited into local banks will be electronically transferred into the concentration account daily. Commandant (G-WPX) will oversee these processes.
  2. Other NAFIs. Other Coast Guard NAFIs may participate in a modified cash management system by sending a written request to Commandant (G-WPX) via the appropriate chain of command. NAFIs should follow existing program guidance on cash management prior to submitting such a request. Under a modified process, non-CGES activities must acquire their own local depository accounts or make deposits directly to the central banking account set up for that activity. Activities having accounts under the central system will be able to participate in quarterly interest distributions generated through the concentration of system cash and will not have to pay banking fees associated with their account under the central banking system.
- B. Banking.
1. Most Coast Guard Nonappropriated Funds (NAFs) are consolidated under a centrally controlled banking structure. The structure directs the flow of NAFs from local depository bank accounts into a concentration account. This permits positive identification and control of all cash assets within the system, field access to the disbursement accounts, minimization of banking costs, and the facilitation of the investment of the funds to maximize interest revenue. Limiting the numbers of banks participating in this system facilitates easy concentration of funds for control and investment.
  2. Implementation.
    - a. All CGES activities must use the central banking system. Local depository accounts for CGES activities will be designated by Commandant (G-WPX) and the movement of cash through the system from local depository accounts to the concentration account will be controlled by Commandant (G-WPX).

- b. Other NAF accounts may participate on a modified basis in this central banking structure as authorized in their respective program directives. To participate, NAF activities must submit a written request to Commandant (G-WPX) via the appropriate chain of command.
- c. NAF activities desiring to withdraw from the cash management system must submit written requests to Commandant (G-WPX) via the chain of command.
- d. Local bank selection for NAF accounts should be based on several factors. Priority should be given to banks that are located within close proximity to the operation to provide for timely and secure deposits. Service fees and quality of service should also impact bank selection. Required services include:
  - (1) Depository services by store numbers.
  - (2) Coinage and bill exchange services.
  - (3) Check cashing services.
  - (4) Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration membership.
  - (5) Automated Clearing House (ACH) membership.

#### C. Investments.

- 1. Purpose. All cash in the centrally controlled banking structure in excess of daily operating requirements will be invested to generate additional income for operations. Cash will be invested in interest-bearing accounts or securities as specified in this Chapter and managed in accordance with the Rules and Regulations of the Coast Guard Trust Fund.
- 2. Implementation. All funds in Nonappropriated Fund Instrumentality (NAFI) accounts participating in the NAF Cash Management Fund will be pooled for investment; investments will be made by Commandant (G-WPX). Non-Trust Fund NAF cash investments will be governed by guidance from the appropriate Program Director. NAFIs authorized to participate in the NAF Cash Management Fund and the central banking system are identified in the Rules and Regulations of the Coast Guard Trust Fund.
- 3. Procedures. Funds may be invested in commercial institutions insured by FDIC, FSLIC or collateralized in advance with pledged U.S. Government Securities. The funds are to be invested in the following items:
  - a. Obligations of the Federal government including savings bonds, Treasury bills, certificates of indebtedness, Treasury notes and bonds.

- b. Obligations of government instrumentalities including Federal Intermediate Credit Bank Debentures, Federal Home Loan Bank Notes, Federal Land Bank Debentures, and Banks for Cooperative Debentures.
  - c. Federal Deposit Insurance Corporation (FDIC) insured bank savings accounts, time deposit accounts, and negotiable or registered certificates of deposit;
  - d. Saving and Loan shares and savings accounts insured by the Federal Savings and Loan Insurance Corporation (FSLIC).
4. Investments will be made through licensed financial institutions/brokers.

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## CHAPTER 5. FISCAL MANAGEMENT

A. Accounting Policy. All NAFIs must be able to provide detailed accountability of their financial assets, liabilities, and net worth. They must also be able to report the financial results of operations over a specified period. The information below provides general guidance and procedure on setting up accountability for NAFIs. More detailed guidance should be provided by the respective program directives.

### 1. Introduction.

- a. These accounting procedures meet the minimum acceptable requirements for all NAF activities.
- b. As prescribed in Generally Accepted Accounting Principles (GAAP) for business activities, the accrual basis of accounting should be used for all NAF activities.
- c. All NAF activities operating Categories B and C MWR activities are required to use the double entry method of accounting.
- d. The use of accounting software packages, which capture all the information necessary to provide financial reports, is critical to the success of a NAF activity's ability to determine its financial status. Manual systems for smaller activities are acceptable as long as all program requirements are met.
- e. The respective NAFI Program Manager will establish standard financial reporting periods.
- f. Financial reports will be prepared in accordance with Chapter 5.C. of this Manual.
- g. Physical inventories of resale merchandise shall be conducted in accordance with Chapter 5.D. of this Manual.
- h. Cash register over and short logs should be utilized for internal control purposes.
- i. Departmental sales data for major activities should be maintained. These records should be maintained daily and totaled weekly, monthly and quarterly, depending on the size and complexity of the NAF activity.
- j. Annual audits and/or financial reviews for all NAF activities are required as directed by the Program Manager.

2. Double Entry Accounting System Specifications. The double entry accounting system provides the minimum information necessary to properly account for revenues, expenses, assets, liabilities, and net worth of operations. This system gives management the information necessary for effective command and control. It may include the following:

- a. Purchase Register



- b. Cash Disbursements Journal
  - c. Payroll Journal
  - d. Cash Receipts/Sales Journal
  - e. General Journal
  - f. General Ledger
3. Chart of Accounts. The standard chart of accounts is a listing of all accounts, which comprise the general ledger. Commands with NAF activities shall document and utilize a chart of accounts for their NAF general ledger. Exhibit 5-1 provides a numerical structure for a typical general ledger of accounts.
  4. Purchase Register and Accounts Payable Ledger. The Purchase Register is maintained to record purchases and accounts payable. Source documents for posting to the Purchase Register are purchase orders, receiving reports, merchandise transfer forms, cancellation orders and purchase order adjustment letters.
  5. Cash Disbursements Journal. The Cash Disbursement Journal is maintained to record all check disbursements.
  6. Payroll Accounting.
    - a. The objectives of payroll accounting are to ensure accurate calculation of payroll and withholding amounts, maintain accurate leave records, calculate and remit taxes to appropriate authorities, and accumulate salary expense data for management purposes.
    - b. The Payroll Ledger is used to record all payroll information for individual employees.
    - c. The Payroll Ledger constitutes the earnings record for individual employees.
  7. Cash Receipts/Sales Journal. The Cash Receipts/Sales Journal is used to accumulate revenue information for the NAF activity.
  8. General Journal.
    - a. The General Journal is used to record all transactions that cannot readily be entered elsewhere (i.e. bank service charges, provisions for asset replacement, accruals, or closeout entries).
    - b. Each entry recorded in the General Journal shall be posted to the General Ledger at the end of the accounting period.

9. General Ledger.

- a. The General Ledger is a self-balancing record that summarizes financial activity for the entire activity.
- b. Financial reports are prepared directly from the General Ledger or through the use of ledger sheets.
- c. Posting sources for the General Ledger include the Cash Receipts, Sales Journal, Purchase Register, Cash Disbursements Journal, and General Journal.

10. Collection of Bad Debt. Checks are a common form of payment for goods and services at all NAF activities. Although minimal, there is a risk in receiving checks not backed by sufficient funds. All NAF activities shall make every effort possible to collect on bad debt/returned checks. Exhibit 5-2 provides a list of Military Locator Addresses to assist in collecting bad debt. Form CG 5287 is used to notify individual active duty members and their commands of dishonored check activity. Contact Commandant (G-WPX) for guidance on and assistance with collecting from non-military patrons.

11. Closeout Procedures.

- a. As a minimum, the books will be closed quarterly, corresponding to standard NAF reporting periods. All transactions through the last day of the accounting period shall be included in the operations of that quarter. Program Managers will provide specific requirements.
- b. Exhibit 5-3 provides a summary of the preparation required to close out the General Ledger for an accounting period.

12. Accounting System Files. The following files are required to be kept:

- a. Cash Receipts. A Cash Receipts file should include the following documents grouped by date: bank deposit slips, exchange receipts, cash register tapes and daily reconciliation forms. Daily cash receipt documents should be summarized, balanced, reviewed, and posted to the Cash Receipts - Sales Journal prior to filing.
- b. Cash Disbursements. A Cash Disbursements file should include purchase orders with attached bills of lading and/or receiving reports, approved invoices, and other supporting documents. These files may be maintained by vendor, chronologically (typically monthly), by type of document, or by a combination of these. Documentation for active accounts, such as large vendors, tax authorities, etc., is best organized when filed by vendor. New files should be created at the beginning of each NAF fiscal year. All invoices and purchase orders must be marked "PAID" and annotated with the date paid and check/voucher number.
- c. Purchase Orders. In addition to the copy in the cash disbursement file, a numerical file of all purchase orders should be maintained in a Purchase Order file for reference.

- d. Open Purchase Orders. One copy of unsatisfied or blanket purchase orders should be maintained in a numerical or vendor file. Closed purchase orders must be filed together with other disbursement documents.
  - e. Unmatched Receiving Documents. This file should contain receiving reports/bills of lading that have not been matched with invoices and POs. Packing slips or delivery tickets should be attached to the appropriate receiving reports.
  - f. Accounts Payable. This file typically contains unpaid invoices, accompanied by POs and receiving reports (where appropriate). These items should be arranged in a tickler file by payment due date. Payments may be prepared in advance (such as when bill paying is done weekly) but should not be mailed until due. This will maximize earnings on NAF cash assets, while also taking advantage of prompt payment incentives.
  - g. Merchandise Transfer Form. These forms should be filed chronologically after posting to the appropriate ledger.
  - h. Bank Statements. This file should contain monthly bank statements, reconciliations, cancelled checks, and other supporting documents.
  - i. Payroll. An accounting payroll file should be maintained separate from the personnel file. This file should contain current Individual Payroll Log-Hour forms.
  - j. Inventory. The Inventory File should contain inventory sheets, worksheets, Markup/Markdown Vouchers and other information pertaining to the physical inventory.
  - k. Budget and Financial Statements. This file should contain financial statements (i.e. Income Statement, Balance Sheet, and Statement of Cash Flows), and all supporting worksheets.
  - l. Contracts and Agreements. This file should contain concession contracts, vendor agreements, loan agreements, satellite agreements, etc.
  - m. Correspondence. This should be a chronological file of correspondence in accordance with the standard Coast Guard filing system.
  - n. Accounts Receivable. This file should include layaway sales information and other receivable documentation. A small accounts receivable subsidiary ledger could be kept in this file; a card, cash register report, or a ledger system should be used when there are a large number of receivables transactions.
  - o. Satellite Activity. This file should contain monthly Status of Satellite Exchange Reports.
- B. Accounting Periods. Standard accounting periods are prescribed for Coast Guard NAFIs to help in structuring reporting cycles and as a basis for providing time periods for performance comparison. CGES accounting periods are consistent with those published by the National Retail Federation and are published each year with the budget formulation process by Commandant (G-WPX). Specific

guidance is provided in the CGES SOP. Other NAFI accounting/report cycles are published in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series).

#### C. Financial Reporting Requirements.

1. Purpose. Financial reports are instrumental in determining the fiscal health of a unit and are essential tools for managers to make appropriate decisions. These reports are also necessary to ensure appropriate program oversight.
2. Requirements.
  - a. Every NAF activity must, at a minimum, generate the following statements on a quarterly and annual basis:
    - (1) Income Statement. The Income Statement Report is used to summarize the revenues and expenses for each NAF activity and must calculate Net Profit.
    - (2) Balance Sheet. The Balance Sheet Report is used to report the assets, liabilities, and net worth for an individual NAF activity or group of NAF activities.
    - (3) Other reports. The Program Manager may require additional reports, as needed.
  - b. The Program Manager may direct a NAF activity to provide financial reports on a more frequent basis.
  - c. Due to the wide variety of businesses operated by NAFIs, it is expected that financial reports will need to be customized to provide useful managerial information. GAAP should be followed unless amended by the Program Manager. For example, assets may not be presented on balance sheets and depreciation may not be recorded.
    - (1) For CGES, these instructions are published in the CGES Standard Operating Procedures Manual.
    - (2) For MWR, these instructions are published in the Morale, Well-being and Recreation Manual, COMDTINST M1710.13 (series).
    - (3) For CDCs, these instructions are published in the Child Development Services Manual, COMDTINST M1754.15 (series).

#### D. Inventory Verification Procedures.

1. Purpose. To establish procedures for the annual verification of physical inventories. Physical inventories are normally taken at the end of a fiscal cycle, but may also be taken at other times when special circumstances or problems require a more detailed record of on-hand inventories. The most logical time for this verification is at the end of the NAF fiscal year, which does not necessarily coincide with the Federal fiscal year.

2. Book Inventories. Book inventories are maintained by CGES throughout the year by tracking the additions, deletions, and price changes associated with inventory stock used in the operation. This is usually maintained on a stock ledger, which can be manually maintained or integrated with accounting software package in use. Interim profit/loss determinations are generally based on this book value of inventory. Annual profit/loss determinations are usually based on the results of the physical inventories taken at year-end. MWR inventories are maintained at the lower of cost or market value.
3. Procedures. Guidelines for preparation to conduct physical inventories.
  - a. Facility Plan. Prepare a floor plan for the facility to be inventoried, including reserve stock space and remote stockrooms under the manager's supervision. This plan should include all fixtures, tables, racks and displays in the space. Fixtures should be numbered sequentially ensuring thorough accountability. The plan is used to account for all locations, to estimate the number of inventory sheets needed and to determine the workload involved in the conduct of the inventory.
  - b. Inventory Arrangement. Inventory is arranged according to its proper classification or department designation, on each fixture or display. Quantities of each item should be arranged together. The contents of partially filled boxes should be removed and the boxes should be discarded, if practicable. If not, the contents of partially filled boxes must be counted during the inventory. Remove all empty containers from counting areas. Verify item descriptions (including department numbers) and prices in advance of the inventory. Attempt to transfer all items awaiting return to vendors for credit or repair prior to the inventory cutoff date established. Damaged or soiled merchandise that is not returnable should be marked down or written down to zero value, as appropriate.
  - c. Inventory Cutoff. To ensure proper separation between goods to be inventoried and to be entered into accountability after the inventory date, the manager must establish an exact date and time for the physical inventory. The NAF activity manager will designate the cutoff date. This will determine a cutoff schedule for the receipt or shipment of goods and price changes. Make no transactions between cutoff and the completion of inventory count.
  - d. Inventory Count. On inventory day, an in-house count team will count all stock to be inventoried and enter quantities on the inventory form. If conducted by a third party inventory company, they typically use their own forms.
  - e. Recounting the Inventory. Upon completion of the inventory count, perform a recount of selected items. Concentrate primarily on high-value goods.
  - f. Collection of Inventory Sheets. After the recount, all inventory sheets should be turned into the program accounting office for inventory valuation.
- E. NAFI Internal Audit and Control Procedures. Financial audits of nonappropriated fund activities are required, annually. Qualified Certified Public Accounting firms or government auditors may conduct audits. Commanding officers may appoint a local audit board to conduct periodic financial

audits of MWR, CDC, or shipboard independent exchange activities. Financial reviews may be conducted between financial audits.

1. General.

- a. NAF activities shall operate with well-defined internal controls in order to minimize risk and to safeguard NAF assets. An internal control review process shall be accomplished as directed by cognizant authorities of the NAF programs. Their reviews are intended to improve effectiveness and efficiency of the NAF programs.
- b. This section contains the principles for testing compliance of the internal controls that should be developed and implemented by management. The results of these tests will be used to evaluate the appropriateness and effectiveness of the controls in question. This section does not list the specific controls, but rather creates a framework for testing the controls against actual practice and determining if the controls are appropriate and effective.
- c. Due to the variety of businesses in which each NAF activity is involved, it is impossible to develop a standardized audit checklist to be all-inclusive. Instead, this section will discuss the guiding principles that cover all NAF activities in a NAFI.
- d. Each NAF activity should develop written guidelines for developing and maintaining appropriate internal controls specific to that NAF activity.
- e. Each NAF activity should develop a plan for periodic review to determine if a more detailed and thorough audit is necessary.
- f. Two levels of internal audits are:
  - (1) Targeted Review: Targeted review of specific internal controls in a particular area of business generally requires less labor and less time. It is possible that the results of a targeted review will lead management to request a more comprehensive auditor review. The targeted review is the most commonly used analysis of internal controls.
  - (2) Internal Audit: A complete internal audit is an extensive review of controls, which will span several departments and numerous functional areas of business. This typically requires more labor and more time, but will result in a more thorough analysis.

2. Control Structure. Internal audits or reviews must analyze whether the following types of controls are adhered to and whether or not the controls are effective.

- a. Preventive. Preventive controls are intended to prevent errors or misappropriations from occurring. Some examples are separation of duties, dual signatures, reasonableness checks, accuracy checks, physical security of facilities, and supervisory reviews.

- b. Detective. Detective controls are intended to identify errors after they have occurred. Some examples are reconciliation of bank statements, review of receiving paperwork, and physical inventory checks.
- c. Corrective. Corrective controls resolve the problems identified by detective controls. Some examples are adjusting the stock ledger with physical counts, correcting the items on exception reports, and some adjusting journal entries.
- d. Directive. Directive controls are mandates from management to local units to take some action to produce positive results. One example is the direction to hire intermittent workers.
- e. Compensating. Compensating controls are controls that make up for a weakness in another area. Having a person that has no involvement with bank accounts do the reconciliation and having management sign the payroll sheets where personnel and payroll are run by the same person are examples of compensating internal controls.

### 3. Selection of an Internal Auditor.

- a. Commands with NAF activates shall appoint, in writing, an internal auditor to conduct an internal audit or targeted review, as deemed appropriate. This appointment may not require the command to expend funds or seek additional personnel resources. Current employees already working for the NAF activity may be appointed as internal auditors.
- b. An internal auditor should be chosen based upon a person's expertise in a particular area along with an ability to effectively analyze controls, identify strengths and weaknesses, clearly draft recommendations, and present findings.
- c. It may be appropriate to have more than one person conduct an internal audit or review. If two or more people are designated to conduct internal audits or reviews, they should have enough difference in skills to allow for a more thorough investigation.
- d. The appointment letter must include the scope of the audit or targeted review, the controls that should be reviewed, the timeline for conducting the audit or review, and the deadline for submitting a written report.
- e. Internal auditors must submit a written report of their findings to the Director of the NAFI. The report should address the internal controls listed in the designation letter including, at a minimum, the appropriateness and effectiveness of those controls, whether the controls are being adhered to, the strengths and weaknesses of those controls and recommendations for improving the controls.

### 4. Controls.

- a. The following is a list of some categories of internal controls. The specific controls are found elsewhere in this Manual and in the particular NAFI's policy manuals, financial audits and reviews from auditors, personnel guidance, and Coast Guard policies and guidance:

- (1) Financial Controls. Cover cash accountability, daily financial reports, internal cash controls, investments, bank reconciliations, etc.
  - (2) Accounting Controls. Cover timeliness and accuracy of financial reports, maintaining stock and other appropriate ledgers, issuing checks, processing bad checks, etc.
  - (3) Personnel Controls. Cover accounting of personnel payroll procedures, personnel file requirements, leave processing, identification card requirements, use of temporary, intermittent, part and full-time employees, training, etc.
  - (4) Operational Controls. Cover operational directives such as cash register operations, employee purchases, purchasing requirements, sale items, layaway procedures, merchandise signage, physical inventories, etc.
  - (5) Security Controls. Cover protection of government assets, maintaining high value item logbooks, theft prevention, purchase and maintenance of property, etc.
- b. The categories listed above are not all-inclusive, and depending on the scope of the internal audit or targeted review, one or more categories may be analyzed.

F. Budgeting.

1. NAF budgets are vital and integral components of an internal control system. The use of the budget through the year may alert management to possible incidents of fraud, waste, and abuse that may otherwise go undetected. The budget provides a proposed path to meet desired goals and objectives. Using the budget in conjunction with periodic assessments of the results of operation of the NAFI will give management the necessary information to determine whether they must make necessary changes to meet desired goals and objectives and to curb shrinkage. It must be remembered that budgets are living documents that must be used and amended throughout the year to provide the maximum benefit to the organization. The added challenge and risk in NAF budgeting is that revenue forecasts are as equally important as expenditure projections. This is especially critical for those commands operating Nonappropriated Instrumentalities that generate significant revenues through the sale of goods and services. Since funding is not limited to annual appropriations restrictions, the forecast of a fund balance as a revenue source becomes an important element in the budget.
2. Units with NAF activities shall ensure that NAF budgets are prepared for each budget year. At a minimum, the budget shall contain an income statement and the appropriate balance sheet accounts for each quarter of the budget year. Discreet business activities shall be budgeted and presented independently so an assessment of the proposed impact on operating or net profit from these activities may be made. These NAF activities are expected at a minimum, to break even each year.
3. The Coast Guard Trust Fund Board of Control will approve NAF budgets for the Coast Guard Trust Fund Overhead, Insurance, Construction, and HQ MWR Accounts each year.



4. NAF activities that generate large sales volumes typically have commensurately high personnel costs. Since sales in these businesses tend to fluctuate cyclically or in consonance with the economy in general, managers must ensure that they properly monitor the personnel costs within the activity. This monitoring shall include the percentage of sales of both direct and indirect personnel expenses and the monitoring of the mix (full time, part time, and intermittent) of nonappropriated fund employees within the activity. Commands with activities are expected to use their nonappropriated fund budget as a tool in the proper control of personnel costs.
5. Program managers for NAFIs shall publish additional policies and procedures for the development, submission, review, and use of NAF budgets. They may require the preparation of additional schedules such as the sources and uses of cash statements in the management of larger NAF activities.

G. Security and Loss Prevention.

1. Adequate and enforceable security and loss prevention policies and procedures are essential for protecting assets in Nonappropriated Fund Instrumentalities of the Coast Guard.
2. Security and loss prevention systems are essential to the financial viability and integrity of Coast Guard Nonappropriated Fund activities. There are many components of a well rounded security and loss prevention system. Elements would include:
  - a. Internal theft prevention.
  - b. Physical security.
  - c. Facility security.
  - d. Procedures for handling counterfeit currency and other negotiable instruments.
  - e. Internal cash controls.
  - f. Keys, lock, and safes.
  - g. Warehouse access and security.
  - h. Patron and employee sales and refunds.
  - i. Cash register void and "No Sale" procedures.
  - j. Employee standards of conduct.
  - k. Shoplifting prevention.
  - l. Inventory control.

3. Commands operating NAF activities shall develop written security and loss prevention procedures, incorporating at a minimum those elements listed above, to minimize the exposure of nonappropriated fund assets to fraud, waste, and abuse. The Physical Security Program, COMDTINST M5530.1 (series) provides Coast Guard-wide guidance on physical security policies that are applicable to nonappropriated fund instrumentalities.

#### H. Civil Recovery for NAFI Costs Related to Shoplifting.

1. The Debt Collection Act was amended to allow instrumentalities operating Federal retail stores to pursue losses and administrative costs directly relating to shoplifting, theft detection, and theft prevention as claims of the United States recoverable through existing Federal debt collection methods. The NAFI Civil Recovery Program is a deterrent to shoplifting and provides CG NAFIs a method to recoup actual and administrative costs related to shoplifting, theft detection, and theft prevention.
2. A person who commits the offense of shoplifting shall be liable to CGES/MWR for:
  - a. Actual damages: This is the retail value of stolen merchandise if it is not recovered. If the merchandise is recovered but damaged, then actual damages are computed by subtracting the reduced saleable price from the retail price. If the merchandise was recovered but not in merchantable condition, then actual damages equal the retail price of the merchandise.
  - b. Administrative costs: This is the expense incurred for recovery of the merchandise, as well as theft detection and theft prevention. The standard cost is \$200.
3. A parent, guardian, or other person having legal custody of an unemancipated minor who commits the offense of shoplifting shall be liable to the appropriate CGES/MWR for the damages and costs specified in this section. Additionally, military sponsors are responsible for their family members.
4. The Civil Recovery Program is separate from any criminal prosecution initiated by appropriate legal authority. Nor is a conviction or a plea of guilty for theft necessary to pursue civil recovery under this section. The collection action is in addition to any criminal, disciplinary action, or suspension of privileges.
5. After the Incident Report is submitted, the store manager or MWR manager of the facility where the incident occurred shall begin collection action under the Civil Recovery Program. **Do not** hand the demand letter to suspected shoplifter at the time of the incident.
  - a. A demand letter shall be sent to the suspected shoplifter or the sponsor within 7 to 30 days after the shoplifting incident. The demand letter should include a complete description of the stolen property and its value, the date the shoplifting occurred, the date and place the payment should be made, and should inform the individual of the consequences of failure to make payment. This written demand should be sent via certified mail. The substance of the letter shall comply with Exhibit 5-4 (Civil Recovery Demand Letter).

- b. If a demand for payment of damages is made and a reply is not received within 30 days, send a follow-up letter. This written demand should be sent via certified mail and the substance of the letter shall comply with Exhibit 5-5 (Civil Recovery Demand Letter, Final Notice).
  - c. At approximately the same time as the follow on demand letter is sent, the store or MWR manager should send a letter to the sponsor's, or suspected shoplifter's unit commanding officer explaining the debt and requesting collection assistance. The substance of the letter shall comply with Exhibit 5-6 (Civil Recovery Indebtedness Notice to Unit CO).
  - d. Payments will be made to the local exchange or MWR program. A receipt shall be processed for the payment to prove restitution. See Exhibit 5-7 (Civil Recovery Payment Receipt).
6. The suspected shoplifter may seek review of the debt by presenting evidence, in writing, concerning the shoplifting to the Exchange System Deputy Director of Operations (DDO), or the unit MWR Officer. The DDO or MWR Officer may waive the debt when the evidence establishes that more likely than not there was no intent to deprive the exchange or MWR program of the property. The DDO or MWR Officer may also waive the debt for compassionate or hardship reasons. The DDO or MWR Officer review and decision shall be made in writing within a reasonable period of time from receipt of the request for review. The DDO or MWR Officer cannot delegate this responsibility. The substance of the letter shall comply with Exhibit 5-8 (Civil Recovery Review of Waiver Request Letter).
  7. If the suspected shoplifter or sponsor does not pay the debt within 90 days of the first notice, the debt will be transferred to CGES/MWR Headquarters Finance Division for collection in accordance with the Debt Collection Act. Copies of the incident report, demand letters, proof of receipt of demand letters, commanding officer/unit MWR manager notification letters, the request for review by the DDO or MWR Officer, and the Deputy Director's/MWR Officer's decision letter will be sent to CGES/MWR Headquarters' Finance Division.
  8. The check cashing and Military Star privileges of the suspected shoplifter and sponsor shall be suspended until the debt is paid or waived.

I. NAFI Management Assistance Program.

1. Program Oversight. Oversight of any program, at the command level, or from organizations outside the chain of command, is an integral component of an internal control program. Program oversight helps provide reasonable assurances that programs are being operated efficiently and effectively; that the risk of fraud, waste, and abuse is minimized and acceptable; and that the goals and objectives of the program are being met. Oversight is especially important in nonappropriated fund programs because of the inherent risks associated with resale activities.
2. Oversight Responsibility. The oversight responsibility may be accomplished through a variety of means such as:
  - a. Unit self-assessments.
  - b. CPA financial/program audits and reviews.

- c. Coast Guard inspections.
- d. Inspector General audits.
- e. General Accounting Office audits.
- f. Program Manager reviews.
- g. Office of Management and Budget reviews and assessments.

3. Management Assist Visits.

- a. The management of nonappropriated fund programs and instrumentalities can be challenging. These programs typically involve a complex mix of appropriated and nonappropriated fund resources that may be governed by complex and detailed policies and regulations. At times, in order to gain access to the benefits of these nonappropriated fund programs, commands may assign collateral duty personnel to manage these complex activities.
- b. To assist commands in this management, Program Managers with NAFIs shall develop a management assist visit program. These visits may include but are not limited to the following:
  - (1) Analysis of staffing plans.
  - (2) Studies of cost control procedures for food and retail operations.
  - (3) Comparison of selling prices in all areas within the civilian sector.
  - (4) Analysis of the true level of service being provided to all patrons.
  - (5) Inventory levels, and analysis of key financial and business ratios.
  - (6) Stock assortment selection.
  - (7) Purchasing procedures designed to maintain the lowest prices to patrons.
  - (8) Studies of the most effective uses of personnel and physical resources.
  - (9) Studies of security exercised over merchandise and negotiable instruments.
  - (10) Plans for capital improvements.
  - (11) Evaluations of the ability to meet or exceed planned results or benefits.

(12) Reviews of accounting, documentation, and record maintenance.

(13) Conformance with directives, policies, and regulations.

- c. Commands may request assistance visits from the applicable Program Manager. Program Managers, in the exercise of their oversight responsibilities, may also schedule assist visits.

J. Fiduciary Responsibility. There is an individual fiduciary responsibility to use NAFs properly and prevent waste, loss, mismanagement, or unauthorized use. This responsibility extends to all Coast Guard personnel, including uniformed members, and APF and NAF civilian employees.

## EXHIBIT 5-1

### CHART OF ACCOUNTS

#### **ASSETS (1000 Series)**

- CURRENT ASSETS
  - CASH
  - CHECKING ACCOUNT
  - ACCOUNTS RECEIVABLE
  - SHRINKAGE ALLOWANCES
  - PREPAID EXPENSES
  - OTHER CURRENT ASSETS
- NONCURRENT ASSETS
  - FIXED ASSETS
  - FURNITURE & FIXTURES
  - VEHICLES
  - OTHER
  - OTHER NONCURRENT ASSETS

#### **LIABILITIES (2000)**

- CURRENT LIABILITIES
  - ACCOUNTS PAYABLE-VENDORS (TRADE)
  - ACCRUED LIABILITIES
  - LOANS
  - OTHER CURRENT LIABILITIES
- LONG TERM LIABILITIES
  - TRUST FUND LOANS

**NET WORTH (3000 series)**

- UNRESERVED RETAINAGE
- RESERVED CAPITALIZATION OF FIXED ASSETS

**REVENUE (4000 series)**

- SALES
- INTEREST INCOME

**DIRECT EXPENSES (5000 series)**

- PURCHASES FOR RESALE
- DIRECT PERSONNEL COSTS
  - SALARIES (GROSS)
  - EMPLOYER FICA
  - GROUP INSURANCE
  - RETIREMENT
  - OTHER PERSONNEL COSTS
- OTHER DIRECT EXPENSES
  - UTILITIES
  - SUPPLIES
  - REPAIRS AND MAINTENANCE
  - POSTAGE AND SHIPPING
  - CASH OVER AND SHORT
  - BAD DEBTS AND CHECKS
  - SHRINKAGE EXPENSE

**INDIRECT EXPENSES (6000 series)**

- GENERAL AND ADMINISTRATIVE (G&A) EXPENSES
- GENERAL AND ADMINISTRATIVE PERSONNEL
- PROVISION FOR ASSET REPLACEMENT
- OTHER (G&A) EXPENSES
  - UTILITIES
  - TELEPHONE
  - POSTAGE AND SHIPPING
  - OFFICE SUPPLIES
  - TRAVEL AND ENTERTAINMENT
  - EMPLOYEE TRAINING
  - EQUIPMENT RENTAL
  - AUDIT FEES
  - ACCOUNTING COSTS
  - BAD DEBTS
  - BANK CHARGES



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EXHIBIT 5-2

MILITARY LOCATOR ADDRESSES

**ALL BRANCHES**

**U. S. ARMY**

Active Duty  
Reserve

Army Worldwide Locator  
U.S. Army Enlisted Records  
Evaluation Center  
ATTN: PCRE - RP  
Ft. Benjamin Harrison, IN 46249-5301  
Tel. (317) 510-7602

AWOL  
Deserters

Department of the Army  
U.S. Army Enlisted Records  
Evaluation Center  
ATTN: PCRE-RD-N  
Ft. Benjamin Harrison, IN 46249-5301  
Tel. (317) 510-7602

**U. S. NAVY**

Active Duty  
Reserves  
AWOL  
Deserters

Navy Worldwide Locator  
Naval Personnel Command PERS 312  
5720 Integrity Drive  
Millington, TN 38055-3120  
Tel. (877) 414-5359

**U. S. AIR FORCE**

Active Duty  
Reserve

U.S.A.F. Worldwide Locator  
550C Street West Suite 50  
Randolph AFB, TX 78150-6001  
Tel. (210) 565-2660

Active Duty  
Reserve

**U. S. MARINE CORPS**

HQ Marine Corps  
Personnel Management Support Branch  
MMSB-17  
2008 Elliott Road  
Quantico, VA 22134-5030  
Tel. (703) 784-3942

**ALL DOD RETIRED**

DFAS Cleveland  
Retired Pay Records  
P.O. Box 99191  
Cleveland, OH 44199  
Tel. (800) 321-1080

Active Duty  
Reserve  
Retired

**U. S. COAST GUARD**

COMMANDER  
U. S. COAST GUARD PERSONNEL COMMAND  
2100 2<sup>nd</sup> Street S. W., Rm. 1422  
Washington, DC 20593-0001  
Tel. (202) 267-1340

### EXHIBIT 5-3

#### MONTH/QUARTER-END POSTING AND TRIAL BALANCE PREPARATION

- (1) Complete journalizing of daily accounting transactions through the last day of period.
- (2) Review documentation to ensure that all transactions through the cutoff date have been collected.
- (3) Post general ledger accounts from books of original entry.
- (4) Compute the end-of-period balances in each of the general ledger accounts.
- (5) Enter general ledger account balances to trial balance worksheets. Cash assets should be listed first followed by other accounts in numerical sequence.
- (6) Allow debit and credit columns on the trial balance for adjustments, accruals, and final/report balances.
- (7) If calculations of gross profit by department are being made, then breakout sales, purchases, and inventory accounts by department.
- (8) Total all debits and all credits to check equality. Research discrepancies.
- (9) Determine that the end-of-period checking account balance per reconciled bank statement equals both the checkbook balance and General Ledger balance.
- (10) Compare balances of subsidiary ledgers (receivables, payables, etc.) to the General Ledger control accounts.

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EXHIBIT 5-4

**U.S. Department of  
Homeland Security**

**United States  
Coast Guard**



*Format this document locally.*

SSIC (fill in)  
(Date)

Name of Person, (SSN)

Address

City, State, Zip code

**CIVIL RECOVERY PROGRAM NOTICE**

Dear ,

The Exchange has a report showing that on (date) you (or your family member) (fill in name), were detained for taking from us (fill in by providing a description of the item(s) taken) without permission and without paying for them. Federal law authorizes CGES/MWR to demand in writing that you pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention, as applicable:

1. Actual cost(s):
  - a. Return the property in salable condition or pay to us \$ (fill in or leave blank), which represents the full retail price or the remaining balance of the full retail price of the property.
  - b. To us \$ (fill in or leave blank), which represents the full retail price of the recovered property that is not in salable condition.
  - c. Pay to us \$ (fill in or leave blank), which represents the full retail price minus the resale value of the damaged property.
2. Administrative costs: \$200.00
3. Total amount demanded: \$ (fill in amount)

Upon request, a copy of the records relating to the debt is available from the CGES/MWR Headquarters located in Chesapeake, VA, ATTN: Director of Administration at (757) 420-2480.

To repay your debt, please submit cash, check or money order to (location such as cashier cage, cashier, or customer service) no later than 30 days from the date this notice is mailed. For debts that exceed \$400, a reasonable written repayment agreement may be available if requested.

If you disagree with this demand, or believe that all or part of this debt is not valid or legally enforceable, you must send a letter or evidence within 30 days to the Deputy Director of Operations (DDO)/MWR Officer at the following address: (fill in name and address). The DDO/MWR Officer will inform you of his/her decision.

Subj: Civil Recovery Program Notice

SSIC  
Date

This letter serves as notice that if you fail to pay your debt within 60 days of the date of this notification, CGES/MWR may take the following actions as appropriate:

1. Assess interest and penalties under the provisions of 32 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
2. Disclose your indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include your name, address, taxpayer identification number, amount and history of the debt.
3. Initiate collection action of this indebtedness through salary offset as authorized by U. S. Coast Guard Pay Manual, COMDTINST M7220.29 (series), Chapter 11 for military members, or from any U. S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.
4. Initiate action to offset the amount of your debt against any disbursement of the Department of the Treasury to which you may be entitled, to include offset against Federal Income Tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A. However, you will still be responsible for payment of any remaining balance on your account if such offset is inadequate to satisfy your debt.
5. Turn the debt over to a private collection agency for collection action.
6. Refer the debt to the Department of Justice for litigation.
7. Refer the debt to the U. S. Department of the Treasury for any of the above-described collection actions.

Your check cashing and Military Star privileges have been suspended. If you voluntarily pay the Civil Recovery amount shown above within 60 days from the date of this notice, these privileges will be reinstated provided that there are no other delinquent debts. Amounts not paid within 30 days from the date of this notice will be reported to your Commanding Officer/Officer in Charge. These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting.

If you file for bankruptcy before the debt has been paid, you must notify CGES/MWR Headquarters immediately. Additionally, providing knowingly false information is punishable under federal criminal laws, including the UCMJ, and may result in criminal prosecution and/or adverse personnel actions.

Signature Block

EXHIBIT 5-5

**U.S. Department of  
Homeland Security**

**United States  
Coast Guard**



*Format this document locally*

SSIC: (fill in)  
(date)

Name of Person, (SSN)  
Address  
City, State Zip Code

**CIVIL RECOVERY PROGRAM – FINAL NOTICE**

Dear \_\_\_\_\_,

This NAF activity has a report showing that on (date) you or your family member (fill in name) was detained for taking from us (fill in by providing a description of the item(s) taken) without permission and without paying for them. Federal law authorizes CGES/MWR to demand in writing that you pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention, as applicable:

1. Actual costs: \$ (fill in amount)
2. Administrative costs: \$200.00
3. Total amount demanded: \$ (fill in amount)

Upon request, a copy of the records relating to the debt is available from the CGES/MWR Headquarters located in Chesapeake, VA, ATTN: Director of Administration at (757) 420-2480.

To repay your debt, please submit cash, check or money order to (identify location such as cashier cage, cashier, or customer service) no later than 30 days from the date this notice is mailed. For debts that exceed \$400, a reasonable written repayment agreement may be available if requested.

If you disagree with this demand, or believe that all or part of this debt is not valid or legally enforceable, you must send a letter or evidence within 30 days to the Deputy Director of Operations (DDO)/MWR Officer at the following address: (fill in name and address). The DDO/MWR Officer will inform you of his/her decision.



## CIVIL RECOVERY PROGRAM

SSIC  
Date

This letter serves as notice that if you fail to pay your debt within 60 days of the date of this notification, CGES/MWR may take the following actions as appropriate:

1. Assess interest and penalties under the provisions of 31 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
2. Disclose your indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include your name, address, taxpayer identification number, amount and history of the debt.
3. Initiate collection action of this indebtedness through salary offset as authorized by U. S. Coast Guard Pay Manual, COMDTINST M7220.29 (series), Chapter 11 for military members, or from any U. S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.
4. Initiate action to offset the amount of your debt against any disbursement of the Department of Treasury to which you may be entitled, to include offset against Federal Income Tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A. However, you will still be responsible for payment of any remaining balance on your account if such offset is inadequate to satisfy your debt.
5. Turn the debt over to a private collection agency for collection action.
6. Refer the debt to the Department of Justice for litigation.
7. Refer the debt to the U. S. Department of the Treasury for any of the above-described collection actions.

If you voluntarily pay the Civil Recovery amount listed above within 60 days from the date of the first notice, your check cashing Military Star privileges will be reinstated provided that there are no other delinquent debts.

Notification of your Civil Recovery indebtedness is being sent to your Commanding Officer/Officer in Charge.

These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting. If you file for bankruptcy before the debt has been paid, you must notify CGES/MWR Headquarters immediately. Additionally, providing knowingly false information is punishable under federal criminal laws, including the UCMJ, and may result in criminal prosecution and/or adverse personnel actions.

Signature block

U.S. Department of  
Homeland Security

United States  
Coast Guard



*Format this document locally*

SSIC  
Date (fill in)

## MEMORANDUM

From:

Reply to  
Attn of:

To: Commanding Officer

Subj: CIVIL RECOVERY INDEBTEDNESS - (FILL IN NAME AND SSN)

1. On (date) the above named individual or a family member (fill in name) was detained for taking from us (fill in by providing a description of the item(s) taken) without permission and without paying for them. Federal law authorizes CGES/MWR to demand in writing that the debtor pay the following actual and administrative costs related to shoplifting, theft detection and theft prevention:
  - a. A. Actual costs: \$ (fill in amount)
  - b. B. Administrative costs: \$200.00
  - c. C. Total amount demanded: \$ (fill in amount)
2. Despite our previous notice, mailed to the individual, the civil recovery, identified above remains unpaid. Prior to initiating an involuntary collection action, CGES/MWR is required to notify you of this debt and solicit your assistance in collecting payment. If the individual is no longer under your command, please forward current information as to their status or location.
3. If the indebtedness has not been paid within 60 days of the date of the first notice to the individual, CGES/MWR will take the following actions as appropriate:
  - a. Assess interest and penalties under the provisions of 31 U.S.C. 3717. Interest shall be applied 60 days from the date of this notice, at the Treasury, Tax and Loan (TT&L) rate. Penalties shall be applied at the annual rate of 6%.
  - b. Disclose this indebtedness to a consumer-reporting agency under the provisions of 31 U.S.C. 3711. This information will include the name, address, taxpayer identification number, amount and history of the debt.
  - c. Initiate collection action of this indebtedness through salary offset as authorized for military members, or from any U.S. Government Agency, if applicable, under provisions of 5 U.S.C. 5514.

- d. Initiate action to offset the amount of the debt against any disbursement of the Department of Treasury to which you may be entitled, to include offset against Federal income tax refunds. This action is taken pursuant to the Deficit Reduction Act, 26 U.S.C. 6402(d), and 31 U.S.C. 3720A.
  - e. Turn the debt over to a private collection agency for collection action.
  - f. Refer the debt to the Department of Justice for litigation.
  - g. Refer the debt to the U. S. Department of the Treasury for any of the above-described collection actions.
- 4. If the authorized patron voluntarily pays the Civil Recovery amount listed above within 60 days from the date of the first notice, his/her check cashing and Military Star Card privileges will be reinstated provided that there are no other delinquent debts.
  - 5. These civil proceedings do not prevent criminal prosecution for the alleged act of shoplifting.
  - 6. Thank you for your assistance in this matter.

#

EXHIBIT 5-7

**U.S. Department of  
Homeland Security**

**United States  
Coast Guard**



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SSIC (fill in)

Date:

Name of Person

SSN

Address

City, State Zip

RE: CIVIL RECOVERY PROGRAM – PAYMENT

Dear \_\_\_\_\_,

This acknowledges receipt of your payment of \$ (fill in amount) on (fill in date).

You are hereby released from further civil liability under the NAF Civil Recovery Program for the shoplifting incident that occurred at this NAF activity on (fill in date)

Signature block

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EXHIBIT 5-8

U.S. Department of  
Homeland Security

United States  
Coast Guard



*Format this document locally.*

SSIC (fill in)

Date:

Name of Person

SSN

Address

City, State Zip

Dear ,

On (fill in date) (you or your family member) were detained for taking from us (fill in by providing a description of the item(s) taken) without permission and without paying for them. In accordance with CGES/MWR Civil Recovery Program, the store manager demanded \$(fill in amount) for the actual and administrative costs of the shoplifting. You wrote to me stating that (fill in reason why the individual believes s/he should not pay civil recovery).

I have reviewed the shoplifting incident and considered your explanation. (I find no reason to grant a waiver of your indebtedness under the Civil Recovery Program.) **OR** (I have determined to waive your indebtedness under the Civil Recovery Program for the following reason: fill in reason).

This is the final CGES/MWR decision on your indebtedness under the Civil Recovery Program.

Signature block

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## CHAPTER 6. USE OF APPROPRIATED FUNDS FOR COAST GUARD NAF PROGRAMS

### A. Introduction.

1. Policy governing the use of appropriated (APF) and nonappropriated funds (NAF) to support Coast Guard NAF programs is based upon several sources, including; Federal statutes, Comptroller General decisions, and the Financial Resource Management Manual, COMDTINST M7100.3 (series). Policy and guidance specific to each NAF program (CGES, MWR and CDC) are provided in their respective directives or operating manuals.
2. Differentiation between CG MWR and CGES is necessary. Coast Guard MWR is authorized to widely use appropriated funds for the mission sustaining and basic community support activities that include Child Development Centers. CGES and MWR resale and business operations are authorized less appropriated fund support due to their revenue-generating capabilities. However, regardless of whether the NAF activity generates revenue or not, certain appropriated fund support is authorized, consistent for all CG NAF activities.

### B. Facility and Project Funding.

1. CGES equipment and facilities need to be purchased, constructed, and maintained at an acceptable level to provide the infrastructure necessary to support NAF programs. Commandant (G-WPX) maintains a Capital Improvement Program for CGES. This program is independent of the appropriated fund budget cycle.
2. Funding for CGES projects in the Capital Improvement Plan and for routine repair and maintenance projects may be provided from both appropriated and nonappropriated sources.
3. Funding for MWR projects and routine repair and maintenance is provided from AC&I, AFC-43, and AFC-30 sources or local nonappropriated funds, if available.

### C. Policy. Exhibit 6-1 defines APF and NAF expenses and identifies authorized funding sources.



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EXHIBIT 6-1

AUTHORIZED APPROPRIATED FUNDS EXPENSES

<u>Expense</u>	<u>Appropriated Fund Support Authorized</u>
1. <u>Personnel Pay and Benefits.</u>	
a. Coast Guard members and Civil Service personnel.....	YES
b. NAF personnel. ....	NO
2. <u>Travel.</u>	
a. <u>Permanent change of station (PCS).</u>	
1) Military and full-time Civil Service personnel .....	YES
2) Full-time NAF personnel or new hires authorized this ..... entitlement in transfer or hiring documentation.	NO
b. <u>Temporary Duty (TD).</u>	
1) All military and Civil Service personnel, regardless of reason for the travel. ....	YES
2) NAF personnel, if travel is directly related to command and control, ..... other official Coast Guard business, or compliance with Coast Guard (versus NAF) programs or policies.	YES
c. Local travel of military or civil service personnel for non NAF..... business (e.g. military medical or administrative processing).	YES
3. <u>Training and Education.</u>	
a. If directly applicable to command and control responsibilities, ..... regardless of whether the attendee is APF or NAF compensated.	YES
b. When command or higher authority directs or mandates attendance ..... in conjunction with programs common to all personnel of the unit, district, or Coast Guard (e.g., training on diversity or sexual harassment).	YES
4. <u>Vehicles.</u>	
a. Coast Guard owned or leased vehicles used for command and ..... control, unit support, or other official CG business.	YES
b. NAF owned or leased vehicles.....	NO

5. Transportation of Items.

- a. APF-purchased equipment, supplies and commodities. .... YES
- b. NAF-purchased equipment, supplies and commodities.
  - 1) Shipment of items purchased with NAF, but ..... YES  
authorized for procurement with APF.
  - 2) Resale merchandise transported from a CONUS sea or aerial port to an overseas ..... YES  
port of debarkation by a vendor,
  - 3) In overseas areas, the inland movement of U.S. resale goods from port of ..... YES  
debarkation to destination, or from a NAF logistical support point to destination  
when commercial transportation is not readily or feasible available.
  - 4) Movement of merchandise, equipment, and supplies between ..... YES  
Coast Guard bases because of base closure/relocation, or to safeguard  
goods under emergency conditions, e.g., natural disaster.
  - 5) At a unit, the relocation of merchandise, equipment, or supplies ..... YES  
required due to the maintenance or repair of  
the facility if the maintenance or repair work is authorized  
for APF support in expense items 12 or 13 below.
- c. Household Goods. Authorized shipment of goods for:
  - 1) Military and full-time Civil Service personnel. .... YES
  - 2) NAF personnel in pay band 4 or higher positions or including ..... NO  
promotions and new hires. Also includes relocation of existing  
NF4 or higher positions.
- 6. Purchase and Resale of Uniform Merchandise. Overhead and operating costs ..... YES  
incurred in managing, distributing, and selling standard issue military  
clothing and accessories. This does not include merchandise procurement  
costs. Overhead and operating costs are funded by reimbursement  
from AFC 30 funds.
- 7. Equipment and Supplies Purchase/Rental. Costs of equipment, ..... YES  
furnishings, and expendable items. Items required for command  
and control purposes or authorized for APF funding in expense items  
18 through 20, below.

8. Equipment Maintenance and Repair.

- a. Government-owned (APF purchased) equipment. .... YES
- b. Equipment purchased with non-appropriated funds, but..... YES  
installed as an integral component or system in a building  
for which maintenance is supported by appropriated funds.  
*Use of APF is subject to restrictions listed in the Financial  
Resource Management Manual, COMDTINST M7100.3 (series).*
- c. All other. Work indicated as initially supported by NAF may ..... NO  
be performed under APF by using Coast Guard (APF) labor  
and materials, subject to NAF reimbursement.

9. Purchase of Real Property. For purposes of applying this guidance, ..... YES  
real property is defined as privately owned land/and or non-portable  
buildings or facilities. Real property is not to be purchased without the  
written approval of Commandant (G-WPX). It must be essential for command  
and control functions.

10. Real Property and Facility Leases and Rentals. No leases of real property, portable or non-  
portable buildings or facilities, or additional spaces associated with currently leased facilities or  
installed equipment or other legal instrument shall be entered into without express written  
approval of Commandant (G-WPX).

- a. Any area outside of the 48 continental United States (OCONUS)..... YES
- b. Facilities space required for command and control purposes when ..... YES  
located separately from NAF operating spaces.

11. Construction. Building, installing, or assembling a new facility; adding, expanding, extending,  
altering, converting, or replacing an existing facility; or, relocating a facility. This includes  
equipment installed in and made a part of such facilities; related site preparation, utility trunks,  
parking lots, roadways, sidewalks, landscaping, and other external support requirements or land  
improvements associated with building construction.

- a. Facilities space required for command and control purposes when ..... YES  
located separately from NAF operating spaces.
- b. Overseas NAF logistical facilities used to directly support ..... YES  
military mission, such as administrative offices, storage and  
maintenance facilities, laundry and dry-cleaning plants, etc.

- c. Common support infrastructure (e.g., parking lots, utility systems, roadways, landscaping, and sidewalks) which will support other facilities or activities in addition to the NAF facility. YES
- d. Converting spaces for use as NAF facilities when CGXs are forced to vacate previously used spaces due to Coast Guard needs. This pertains only to required structural, systems, and safety code work to convert the building or space for effective retail operations. It does not include interior finishing and outfitting. YES
- e. All other construction. A NAF project may be performed using Coast Guard (APF) labor and materials subject to NAF reimbursement. NO
- f. Commercial ventures and franchise operations require private or non-government funds; APF & NAF are not authorized. N/A
12. Building Maintenance and Repair. Maintenance and repair work is defined as work required to:
- Ensure the structural integrity of buildings and their integral systems (including safety and alarm systems, equipment and components, electrical, mechanical, heating and air conditioning, plumbing, roofing, foundation, doors, windows, etc.),
  - Prevent or correct safety deficiencies,
  - Meet safety and health requirements,
  - Correct conditions or damage resulting from the failure of integral systems or installed equipment, and
  - Preserve building exteriors.
- a. Work required to execute a project not directly associated with the NAF building or CGX operations. YES
- b. Work required to correct construction code, safety, health or environmental deficiencies, regardless of funding source of original construction. YES
- c. Work required on a building acquired with appropriated funds or obtained by Title 10 or similar property transfer, except for such buildings acquired individually (rather than as part of a larger “package”), and specifically to operate a CGX. YES

- d. Work required for a building originally constructed with nonappropriated..... YES  
funds located on Coast Guard property. *Use of APF is subject to  
restrictions listed in the Financial Resource Management Manual,  
COMDTINST M7100.3 (series).*
- e. All other. A NAF project may be performed using Coast Guard .....NO  
(APF) labor and materials subject to NAF reimbursement.
13. Maintaining and Repairing Interior NAF Spaces. Maintaining and repairing NAF spaces is  
defined as work required to:
- Maintain interior spaces, including outfitting and furnishings, in acceptable physical  
conditions, and
  - Correct conditions or damage resulting from the failure of equipment or systems.
- Within this context, “spaces” are defined as the interior areas used for CGX operations within  
the buildings discussed in expense 12 above.*
- a. Damage resulting from structural, integral systems or ..... YES  
utilities deficiencies or failures in buildings authorized  
for APF maintenance and repair.
- b. Damage resulting from CGES equipment (not part of building .....NO  
structural or integral systems).
- c. Spaces used for both CGX and non-CGX purposes:
- (1) Work directly or primarily attributable to the ..... YES  
non-CGX use of the spaces.
- (2) All other. A NAF project may be performed using Coast Guard .....NO  
(APF) labor and materials subject to NAF reimbursement.
14. Grounds and External Support Systems Maintenance and Repair. All work necessary or  
appropriate to ensure the proper appearance, condition, or capabilities of utility runs, parking  
lots, roadways, sidewalks, grounds, and other external support requirements or improvements  
associated with NAF facilities.
- a. At Coast Guard bases and at other Coast Guard sites that support or carry out mission needs  
such as housing complexes:
- (1) Grounds (i.e. grass cutting, etc.) ..... YES
- (2) Common support infrastructure, e.g., systems which support ..... YES  
other facilities or activities in addition to the CGX facility.

- b. At non-Coast Guard sites acquired with NAF specifically for.....NO  
use as CGX facilities, such as a former commercial building.

15. Environmental Compliance.

- a. Restoring contaminated real property under acquisition for NAF use:

(1) If being acquired with appropriated funds..... YES

(2) If being acquired with nonappropriated funds.....NO

- b. Required operating permits, equipment, and system.....NO

- c. Paying fines for non-compliance with regulations. ....NO

- d. Correcting contamination that occurs after operations have begun:

(1) If government-owned (regardless of purchase funding ..... YES  
source) or Coast Guard-leased property.

(2) If CGES/CGX-leased property .....NO

- e. Work may be performed using Coast Guard (APF) labor and materials, .....NO  
subject to NAF reimbursement.

16. Utilities.

- a. All OCONUS area activities..... YES

- b. CONUS command and control spaces located separately from ..... YES  
CGX operating spaces and other NAF activities.

- c. All other CONUS CGES activities. (May be paid initially with .....NO  
APF, subject to NAF reimbursement.)

17. Custodial/Janitorial Services.

- a. For command and control spaces located separately from..... YES  
NAF operating spaces.

- b. All other. Work supported by NAF may be performed using .....NO  
Coast Guard (APF) labor and materials subject to NAF reimbursement.
18. Telephone Services.
- a. One line/extension and instrument, with government long ..... YES  
distance call capabilities, for NAF Manager to use in conducting  
command and control and other official Coast Guard business.
- b. Other lines/extensions, instruments, and capabilities as ..... YES  
commands deem necessary to ensure the efficient conduct  
of command and control and official Coast Guard business.
19. Computer systems/equipment.
- a. One Coast Guard standard work station for NAF Manager to ..... YES  
use in conducting command and control and other official Coast  
Guard business.
- b. Other Coast Guard standard workstations as commands deem ..... YES  
necessary to ensure the efficient conduct of command and control  
and other official Coast Guard business.
20. Electronic Media Systems. Pertains to such systems as closed ..... YES  
circuit television, CATV, satellite communications, etc., that support or  
provide services throughout the base.
21. Postal Services.
- a. For official Coast Guard business and command and control ..... YES  
needs, including NAF employment actions when they require  
the approval of or coordination with higher authority.
- b. All other. Placing mail in this category in envelopes or packages .....NO  
containing official mail whose postage is paid with appropriated  
funds is prohibited.
22. Architectural and Engineering (A/E) Services.
- a. For designing MWR or CDC facilities ..... YES
- b. For developing master plans or similar documents that address ..... YES  
unit or Coast Guard, rather than only NAF, requirements or proposals.
- c. For inherently governmental functions, such as planning proposals, ..... YES  
scopes of services, post-occupancy reviews, contract administrations, etc.



- d. For CGES professional services typically performed by A/E firms, .....NO  
such as design, development, plans and specifications,  
construction surveillance, etc.
- e. For a CGES design initiative, any direct, non-salary project .....NO  
administration costs, such as required travel, printing,  
mailing of bid packages, etc.
23. Coast Guard Administrative/Support Staff Services.
- Technical advice and assistance provided by members of personnel, ..... YES  
financial, legal, procurement and similar staffs typically located at  
Civil Engineering Units, District Offices, Maintenance and Logistics  
Commands, and Coast Guard Headquarters. Includes purchasing  
or contracting for non-resale goods or services when a procurement  
warrant is required.
24. Common Services. Those services normally provided throughout a unit to ..... YES  
ensure the health and safety of all personnel. Examples are fire protection,  
physical security of buildings (including alarm systems and security bars),  
pest control, trash or garbage removal, sewage disposal, snow removal,  
routine environmental compliance actions, sanitation inspections, etc.
- In CONUS, trash and garbage removal services for all .....NO  
facilities except command and control spaces located  
separately from main CGX facilities. May be performed  
under APF contract subject to reimbursement by NAF.
25. Audits. When DHS, Coast Guard, or other government organizations ..... YES  
perform as assigned responsibilities.
26. Printing and Reproduction. For official Coast Guard business, ..... YES  
command and control requirements, and NAF administrative  
matters not related to merchandise sales or collecting funds resulting  
from retail sales. Includes, work done on printing presses, lithographing,  
and other duplicating related to binding operations, photography,  
microfilming, formats and forms, development, editing, and graphics.
27. CDC Insurance Premiums. ..... YES

## CHAPTER 7. SATELLITE EXCHANGE OPERATIONS

- A. Purpose. The purpose of this Chapter is to provide policy for establishing, operating, and disestablishing satellite operations. The satellite concept allows units to operate a NAF resale operation where a full-scale one is not possible due to the remote location of the unit or because it is an afloat unit. Only retail operations will be established under these guidelines.
- B. Satellite NAF Activities. Satellite NAF activities may be established onboard cutters and at remote shore locations where other retail operations, either civilian or military, are not otherwise readily available. The latter are established and operated only at installations where no exchange exists, where assigned personnel strength is relatively small, and where the distance from an established parent exchange would make direct operation of an exchange impractical. The satellites are operated by the local command using inventory, working capital, and administrative support of the “parent” CGES operation.
- C. To Establish a Satellite Operation.
  - 1. Support Agreement. A support agreement between the local command and Commandant (G-WPX) is mandatory. This agreement shall define the authority and responsibility of the command as well as the prescribed working relationships within the business. A sample agreement is provided in Exhibit 7-1. Support agreements will be established for a minimum of one year and a maximum of five years. At the end of the agreed upon period, the support agreement will be reviewed, updated as necessary, and resigned by all concerned.
  - 2. Working Capital. CGES will provide working capital for the operation of satellite exchanges, not to exceed three times the anticipated monthly sales or \$15,000, whichever is less. Other factors may be considered (i.e., time away from homeport, distance from replenishment sources, etc.) but need to be documented in the funding request. The amount of the working capital fund may be increased through amendment to the support agreement. Safeguarding of the working capital (cash and assets purchased with the working capital) is the responsibility of the local command.
  - 3. Merchandise Procurement. Merchandise for satellite exchanges shall normally be purchased from the parent/closest exchange operation. Purchases will be made at full retail, less a 5% discount. If a situation necessitates procurement of merchandise from any source other than CGES (i.e., an extended deployment), the satellite may do so. The required items should be purchased from a local source. The merchandise is to be sold at its purchase price with no markup applied. Such purchases shall be paid for from the available working capital and an invoice will be obtained. The invoice must be dated and legibly signed by the individual receiving the merchandise. Satellites shall retain invoices in an organized manner (i.e., separated by fiscal month and year). The purchase of merchandise from a source other than CGES over the long term requires the written approval of Commandant (G-WPX).

4. Staffing. Staffing for all satellite operations must be provided by the local command.
5. Management of Cash Receipts. Cash receipts shall be deposited in a bank at least weekly or when the on-hand amount exceeds \$200. Ships away from homeport shall deposit by mailing money orders or cashier checks when the opportunity arises. A local bank account is to be established and used strictly for the satellite exchange operation.
6. Excess Merchandise. The parent exchange may accept return of slow selling, shopworn, or damaged merchandise where negligence is not an issue. In other instances, the issue will be resolved by mutual agreement of the parent and satellite. Unique logo merchandise purchased by/for the satellite exchange cannot be returned.
7. Accounting and Reporting. Records shall be maintained by month and for the duration of the support agreement. At the end of each calendar month, the fund custodian shall conduct a physical inventory and document the results on the Status of Satellite Exchange (Exhibit 7-2). A variance between actual assets and the established funding level either over or short, in excess of one percent (1%) of the authorized fund, shall be reported to Commandant (G-WPX), and the local command shall conduct an investigation to determine the cause. Satellite exchange operations shall maintain the following records:
  - a. Status of Satellite Exchange. This is a report of accountability, which must be submitted monthly to Commandant (G-WPX). See Exhibit 7-2.
  - b. Sales and Cash Receipt Record. This form is used daily to document incoming cash transactions in lieu of using a cash register. See Exhibit 7-3. If the satellite is using an electronic cash register, daily sales reports from the register may be maintained in lieu of this report.
  - c. Cash Disbursement Record. The sales receipt is used to document cash purchases. Receipts shall be maintained by month to ensure appropriate documentation of cash disbursements.
  - d. Record of Physical Inventory. This form documents the results of the physical inventory of merchandise and cash assets, must be taken monthly. The Satellite may use an electronic spreadsheet in lieu of the manual form. A copy of the inventory must be attached to the Status of Satellite Exchange Report. See Exhibit 7-4.
  - e. Bank Statement File. These records are to be reconciled and locally maintained by the satellite exchange.
- D. Disestablishment of Satellite Operations. Satellite operations must be disestablished when a cutter or shore unit supporting a satellite is decommissioned or when the support agreement expires and there is no intention to renew it. In either case, Commandant (G-WPX) should be advised of an impending disestablishment as soon as possible. The following actions are required for disestablishment:

1. Final Inventory. A final physical inventory shall be completed and action taken to review any variances between the result and the total amount funded to the satellite operation.
2. Disposition of Merchandise. Sellable merchandise shall be returned to the supporting parent/closest exchange; a credit slip shall be issued for the value of the merchandise returned. Non-sellable merchandise shall be marked down and disposed of accordingly.
3. Disposition of Bank Account. The bank account for the satellite shall be closed, and if applicable a check for the balance shall be forwarded to the parent CGES exchange.

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## EXHIBIT 7-1

### CGES SATELLITE SUPPORT AGREEMENT

*(duplicate locally)*

1. This CGES SATELLITE SUPPORT AGREEMENT is between Commandant (G-WPX) and \_\_\_\_\_  
(Name of Unit) \_\_\_\_\_ for establishing a supported Satellite Exchange activity. The satellite exchange will be located at \_\_\_\_\_  
(Address of Satellite) \_\_\_\_\_.
2. CGES will provide \_\_\_\_\_  
(Dollar Amount) \_\_\_\_\_ in capital to operate the satellite exchange. This operating capital is provided as an interest free loan and will be shown as an account receivable on the CGES balance sheet. Upon disestablishment of the satellite exchange or the cancellation of this agreement, all operating capital will be returned to CGES.
3. The satellite exchange command agrees to:
  - a. Assume responsibility for the operation of the satellite exchange and compliance with this support agreement, the CGES Standard Operating Procedure Manual (SOP), and the Non Appropriated Fund Instrumentalities Manual (COMDTINST M7010.5).
  - b. Appoint a satellite exchange officer and a satellite exchange operator.
  - c. Ensure the satellite exchange officer and satellite exchange operator are properly trained in the operation of the exchange as written in the CGES SOP, part III, chapter 6.
  - d. Establish a satellite exchange checking account at a local bank. All charges incurred in the maintenance of the account are the command's responsibility, using the unit's morale fund.
  - e. Protect satellite exchange assets against loss or damage. This includes providing a safe to be used exclusively for exchange funds and an appropriate lock to be used on all exchange spaces.
  - f. Purchase all merchandise for resale from the parent exchange unless a special situation necessitates procurement from an alternate source.
  - g. When merchandise is purchased from an alternate source, the parent exchange must be notified of the purchase amount and provided with an itemized list of merchandise purchased.
  - h. Price and sell all merchandise at the same retail as that of the parent exchange. For merchandise purchased from an alternate source, the cost and retail must be identical with no markup added.
  - i. Complete the Status of Satellite Exchange Report at the end of every month and submit the report to Commandant (G-WPX), "Satellite Operations", no later than ten days after the end of the month. The unit's morale fund will reimburse the satellite exchange for any material shortage noted on the report.
  - j. Conduct a physical inventory at the end of every month and attach a copy of the inventory to the Status of Satellite Exchange Report.
  - k. Maintain record of sales and cash receipts for every month. This record may be obtained through your electronic cash register readings or maintained manually. A copy of this record must be attached to the Status of Satellite Exchange Report.
  - l. Reconcile the exchange bank statement at the end of every month. A copy of the reconciled bank statement must be attached to the Status of Satellite Exchange Report.
  - m. Provide transportation for merchandise between the supporting exchange and the satellite exchange.

- n. Personal checks may be accepted as a form of payment for merchandise sales. The collection of dishonored checks is the responsibility of the satellite exchange.
  - o. The Commanding Officer may authorize credit sales. The collection of outstanding credit balances is the responsibility of the satellite exchange.
  - p. Purchase requests must be submitted to the parent exchange at least two weeks prior to the requested delivery date.
  - q. The exchange officer may return slow selling merchandise to the parent exchange for credit. Food items must have at least a one-month shelf life remaining to be eligible for return. General merchandise, such as film and batteries, must have a shelf life of at least three months remaining to be eligible for return. Unit specific merchandise may not be returned. The unit's morale fund will reimburse the satellite exchange for all non-saleable merchandise that is not eligible for return.
  - r. The Commanding Officer is responsible for controlling the patronage and the sale of state and/or federal tax-free merchandise through the satellite exchange.
  - s. All equipment and supplies required to operate the satellite exchange will be purchased by the unit's morale fund.
4. CGES agrees to:
- a. Provide adequate training guides and documentation to the exchange officer and exchange operator.
  - b. Provide all merchandise requested by the satellite exchange.
  - c. Sell the requested merchandise to the satellite exchange at a 5% discount. The discount amount will become the distribution provided to the unit's morale fund.
  - d. Accept slow selling merchandise for credit from the satellite exchange pursuant to section 3.q (above).
  - e. Assist the exchange officer in the development of the satellite's stock assortment.
  - f. Provide a point of contact, usually at the local exchange, to assist the satellite as necessary.
  - g. Conduct an annual audit of the satellite exchange operation.
5. Issues or concerns of unsatisfactory support must be made in writing to Commandant (G-WPX).
6. Amendments to this agreement will be numbered, dated, and signed by Commandant (G-WPX) and the commanding officer, or their designees.
7. This agreement is effective \_\_\_\_\_ (date) \_\_\_\_\_. This agreement will expire on \_\_\_\_\_ (no more than 5 years from the start date) \_\_\_\_\_ or upon 60 days written notice by either party.

\_\_\_\_\_  
Commandant (G-WPX)

\_\_\_\_\_  
Commanding Officer

# EXHIBIT 7-2

CGES FORM #-OP20007 LRA		MONTH REPORTED _____	
		STATUS OF SATELLITE EXCHANGE _____	
UNIT		LOCATION	
<b>LINE</b>	<b>PART I - ACCOUNTABILITY FOR AMOUNT ADVANCED</b>		
1	CASH ON HAND		\$ _____
2	Merchandise on Hand		\$ _____
3	Merchandise Loss (Board of Survey attached)		\$ _____
4	Total Exchange Fund Advanced		\$ _____
	Over/Short		\$ _____
	<b>PART II-ANALYSIS OF OPERATIONS</b>		
5	Merchandise on Hand (Beginning of month)		\$ _____
6	Purchases		\$ _____
7	Merchandise available for Sale (Line 5 + Line 6)		\$ _____
	Less		
8	Sale of Merchandise		\$ _____
9	Losses of Merchandise (Same as Line 3)		\$ _____
10	Total Sales and Losses (Line 8 + Line 9)		\$ _____
11	Merchandise on Hand (Line 7 - Line 10)		\$ _____
<b>PART III - CERTIFICATION OF SATELLITE EXCHANGE OFFICER</b>			
<b>I CERTIFY that the status of the Satellite Exchange for which I am accountable is as stated above</b>			
<b>Date</b> _____		<b>Signature</b> _____	
<b>PART IV - RELIEF OF SATELLITE EXCHANGE OFFICER</b>			
As of _____ 20 I have relieved:			
as Satellite Exchange Officer and have accepted responsibility for the Exchange Fund advance as indicated in Part I above			
Signature of Relieving SE Officer			

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## EXHIBIT 7-2

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## EXHIBIT 7-3

CGES MR20006 LRA		U.S. COAST GUARD NONAPPROPRIATED FUND DAILY ACTIVITIES SALES AND CASH RECEIPT RECORD FOR SATELLITES			
UNIT		ACTIVITY		DATE (FROM):	DATE (TO):
DATE	EXPLANATION	CASH RECEIPT	ACCOUNTS RECEIVABLE COLLECTIONS	SIGNATURE CASHIER OR REMITTER	SIGNATURE CERTIFYING OFFICER

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## EXHIBIT 7-4

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## EXHIBIT 7-4

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## CHAPTER 8. NAF CONSOLIDATED INSURANCE PROGRAM

### A. Introduction.

1. The NAF Consolidated Insurance Program, administered by Commandant (G-WPX), provides coverage to protect the assets and interests of Coast Guard Exchanges, MWR programs, and CDCs against NAF insurable losses. Local procurement of additional insurance coverage is not authorized unless approved or directed by Commandant (G-W) in writing. Program Managers of NAFIs and the CDC Program Manager are responsible for the payment of insurance premiums and related expenses associated with their insurance coverage.
2. The major categories of coverage are fidelity, property, and casualty. Casualty coverage is provided for CGES, MWR and CDC programs to a limited extent, and is provided by a combination of self-insurance and commercial insurance. Coverage under the NAF Consolidated Insurance Program that applies to the MWR Program is described in the Coast Guard Morale, Well-being, and Recreation Manual, COMDTINST M1710.13 (series). The CGES Standard Operating Procedures (SOP) Manual provides additional information on coverage that applies to CGES. The Program Manager for the Child Development Centers (CDCs) provides insurance coverage for CDCs under a combination of the Consolidated Insurance Program and centrally procured insurance.
3. The cost of the consolidated insurance program is paid by Commandant (G-WPX) from remittances received from CGXs, allocations from the HQ MWR Account, and CDC payments. Since the cost of insurance coverage is based upon actual claims (cost) incurred, commands should continually monitor security, safety, and administrative procedures to minimize exposure and risk. All claim payments are processed and maintained by Commandant (G-WPX).
4. A listing of the insurance categories, insurance companies, limits of liability for each occurrence and the applicable deductibles are provided in Exhibit 8-1. Unit identification numbers are listed in Exhibit 8-2. These identification numbers must be used on all claim reports.
5. No commercial insurance exists for buildings and merchandise damaged by fire, flood, hurricane, or other acts of God.

### B. Insurance Categories.

1. Fidelity Insurance. Fidelity coverage protects against the loss of money, securities, and other property which is sustained through fraudulent or dishonest acts committed by an employee acting alone or in collusion with others. Fidelity coverage under the consolidated insurance program applies to CGES losses only. Fidelity losses to MWR or CDC nonappropriated funds will be borne by the local command. The term employee includes military personnel assigned and persons (civilian or military) employed by CGES and receiving compensation from nonappropriated funds.

- a. When a loss arising out of dishonesty occurs and the responsible employee is separated, or being separated, all monies still due the employee, up to the amount of loss, will be withheld at the place of employment pending final determination concerning assessment of pecuniary liability. If the employee agrees to voluntarily reimburse the NAF operation for the loss, the cash reimbursement will be accepted or the withheld funds will be applied.
  - b. Excluded from fidelity coverage is loss or damage arising out of:
    - (1) All dishonored checks, unless a CGES employee is in collusion with a third party.
    - (2) Inventory shortage, unless there's clear evidence of employee dishonesty or flagrant disregard for procedures and control requirements, both in occurrence and amount, other than in the inventory computation.
    - (3) Forgery of an incoming instrument, unless employee dishonesty is involved.
    - (4) Loss of money and securities caused by destruction, mysterious disappearance, or theft occurring on the CGX premises or while being conveyed by a messenger (i.e. holdup).
2. Property Insurance. Property coverage provides protection against the loss of funds and physical assets, including equipment, furniture, supplies, and resale inventory owned by or in which the CGX is responsible or has a financial interest. This coverage applies to losses incurred by external causes, such as but not limited to: fire, water, windstorm, lightning, falling aircraft, explosion, sprinkler leakage, flood, earthquake, vandalism, malicious mischief, breaking and entering, robbery and the disappearance or damage of insured property while in transit. The property insurance covers only CGES assets. This is a self-insured program; no commercial policy is in effect.
3. Casualty Insurance.
- a. Compensation of NAF Employees for Work-Related Injuries. NAF employees of CGES, MWR, CDC programs, and volunteers providing services to those MWR or CDC programs under the authority of 10 U.S.C. § 1588 are covered as follows:
    - (1) Compensation is provided by the Longshore and Harbor Workers' Compensation Act (33 U.S.C. §§ 901-950) for all NAF employees (or volunteers) employed within the continental United States who have suffered injury or death arising out of and in the course of their employment. This Act also provides coverage to injured NAF employees employed outside the continental United States if they are U.S. citizens or permanent residents of the United States or a territory or possession of the United States.
    - (2) Employees who are not citizens or permanent residents, and who are employed outside the continental United States, are protected by private insurance, in accordance with the laws of the country where they are employed (provided that coverage by a private insurance company is permitted).
    - (3) Off-duty military personnel receiving compensation from nonappropriated funds are excluded from this coverage.

- b. Vehicle Comprehensive and Collision. This covers damage to vehicles owned and operated by the CGES and MWR programs with "CGES or MWR" license plates only. Coverage applies only when vehicles are used for authorized or official business of the CGES or MWR program. Other Coast Guard NAF entities are covered under the insurance program on a reimbursable basis.
- c. Public Liability and Automotive Liability Insurance. This insurance covers liability whether imposed by law or assumed under contract for personal injuries, other than to employees, and from damage to property of others.
- d. Exclusions. The following are excluded from the self insurance liability coverage but not from the reporting requirements:
  - (1) Any instance where an employee is involved in an automobile accident while driving a privately owned or rental automobile on authorized official NAF business, to the extent that the employee has private automobile liability insurance. In this instance, the individual's insurance is primary; the employee must report the accident, or incident, to his/her insurance carrier. To the extent that the employee's insurance doesn't cover the employee's liability excluding any deductibles, the NAF Comprehensive Public Liability Insurance may be applicable. Employees without proper insurance shall not be authorized to use their private vehicles for official NAF business.
  - (2) Any claim, incident, or customer complaint arising from the operations of a NAF contractor or concessionaire. These will be reported to and settled by the contractor/concessionaire. If settlement is not reached, they may be referred to the contracting officer for final resolution.
  - (3) Any instance where NAF civilian employee voluntarily pays or settles a loss prior to final disposition of the claim. NAFs will not be used to reimburse the employee for this voluntary act.
  - (4) Any incident that is actually a customer complaint, rather than a third party demand for payment of damages. These include incidents related to valid sales, service, and warranty claims and lost or damaged clothing claims, etc., that may be settled by the local manager.

### C. Procedures for Reporting Losses.

#### 1. Fidelity Claims.

- a. Managers of NAF activities shall promptly report fidelity losses of nonappropriated funds to Commandant (G-WPX) via message or telephone and request investigation by the Coast Guard Criminal Investigative Service (CGIS).
- b. The loss notification shall include unit name, NAF activity identification number listed in Exhibit 8-2, address, telephone number, person to be contacted regarding the loss, date, approximate time of loss, a brief description of how the loss occurred, and an estimate of the loss amount. All subsequent correspondence and investigations pertaining to the claim shall be forwarded to Commandant (G-WPX).



- c. Commandant (G-WPX) will coordinate and review the submission of all CGES claims for final settlement. In cases involving major losses of non-appropriated funds, on-site assistance will be provided in evaluating the extent of loss and preparing a claim submission.

## 2. Property Claims.

- a. Commanding Officers with MWR and CDC operations and exchange managers shall promptly report property losses of NAF assets to Commandant (G-WPX) via telephone call and follow-on message.
- b. Submit a loss notification letter to Commandant (G-WPX) to include the following: unit name, exchange ID number (if appropriate – listed in Exhibit 8-2), address, telephone number, person to be contacted regarding the loss, date and time of loss occurrence, description of how loss occurred, property lost, and an estimate of the property loss value.
- c. Commandant (G-WPX) will coordinate, review and settle the submission of all claims for final settlement. In cases involving major losses of exchange property on site assistance will be provided to evaluate the nature and extent of the loss. This coverage applies to exchanges only under the NAF Consolidated Insurance Program

## 3. Public Liability Claims.

- a. In the event of an accident involving injury to persons other than employees or damage to property of others, Commanding Officers with MWR operations and exchange managers shall submit notification of third party injury or property damage to the Third Party Administrator (TPA);

Claims Manager  
Gates McDonald and Company  
Carroll Building Suite 200  
8600 La Salle Road  
Towson, MD 21286

Telephone: (410) 344-1173 or  
(800) 638-7784 x371  
Fax: (410) 344-1158

- b. Commanding Officers with CDC operations shall notify Commandant (G-WKS) and (G-WKW) of any third party injuries or accidents.
- c. A copy of all public liability claims shall be sent to Commandant (G-LCL) and the appropriate MLC legal officer. Submission of a claim does not indicate acceptance of liability for the claim.
- d. Notification of injury or property damage shall be submitted on the CGES Mishap Report Form -- Exhibit 8-3. CDC incidents shall be reported in accordance with the requirements of the Coast Guard Safety and Occupational Health Manual, COMDTINST M5100.47 (series). The form may be reproduced locally. Include all relevant information, i.e., unit name, unit exchange identification number (if appropriate – listed in Exhibit 8-2), address, telephone

number, person to be contacted regarding the incident, name of the injured person, date and cause of accident, location where accident happened, description of injury, if possible, and an estimate of property damage, if any. If an automobile is involved, provide a detailed description of the accident and damage to the third party vehicle or property.

- e. In the case of an accident outside the 50 United States and Puerto Rico, reports shall be submitted by overnight express to the TPA address above.
- f. If a Coast Guard command or exchange is served with any legal document, including a summons, this shall be forwarded by overnight express to the TPA.
- g. Copies of all notifications and all subsequent correspondence concerning claims shall be forwarded to Commandant (G-WPX and G-LCL), and the appropriate MLC legal office in a timely manner.
- h. Any incident involving a third party, whether there is apparent injury or not, must be reported.

4. NAF Vehicle Comprehensive and Collision.

- a. Commanding Officers/Commanders and exchange managers shall promptly report accidents involving damage to CGES/MWR owned vehicles to Commandant (G-WPX). Injury or damage to third parties shall be reported in accordance with public liability claim procedures in paragraph C.3. Include a copy of the accident investigation report, a copy of the paid invoice, and two itemized estimates for repair of damage. Claims will be paid on the basis of a paid invoice. However, if the cost of repair exceeds the National Automobile Dealers Association (NADA) value of the vehicle, the NADA value will be used to assist in calculating the settlement amount. If a vehicle is a total loss, the settlement amount will be calculated on the deductible, NADA value, and salvage value, if applicable.
- b. When the damage is related to third party, obtain the name and address of the third party. Additionally, ask the operator or owner to furnish the name and address of the owner's automobile insurance carrier and the policy number. If available evidence clearly indicates that a third party caused the vehicle damage, send a written demand for full payment to the third party. This written demand should be substantially as follows: "On (date, time) at (place), our vehicle (year, make, license number) was involved in a collision with a (year, make, license number) (owned/operated) by you. Investigation of this incident reveals that the collision was the result of (your negligence/the negligence of the operator of your vehicle). Enclosed please find two estimates of the damage. (Include costs for towing and charges for rental of a vehicle, if appropriate.) A demand is hereby made on you in the amount of (\$xx). Request payment for the amount claimed be sent to this exchange by (date), 21 days from the date of this letter."

5. Workers' Compensation Claims. Claim procedures for reporting injuries or death to CGES, MWR and CDC NAF civilian employees covered under the Longshoremen's and Harbor Workers' Compensation Act are as follows:

- a. In the event of death or serious injury, notice shall be given by telephone or fax to the Third Party Administrator (TPA) identified in Exhibit 8-4.

b. When an employee is injured, the following reporting requirements and procedures apply:

- (1) Contact Information. Contact the CGES/MWR Personnel Assistant (PA) servicing your location. The PA will telephonically report the injury to the TPA following receipt of required information. The PA will obtain the necessary information from the reporting source. This is the employer's First Report of Accident. Whenever an employee sustains or alleges to have sustained a work-related injury, infection or illness involving lost time from work of one shift or more or requiring medical attention it must be reported. The TPA will fax the completed report back to the PA for record keeping.
  - (a) Retain one copy in the supporting NAF personnel office.
  - (b) Retain one copy in the employee's personnel file. The TPA and the Department of Labor Deputy Commissioner must be furnished this information no later than 72 hours after the date of first treatment. All claims must be reported in a timely manner, do not withhold for any reason. If fraud is suspected or you do not feel the claim is work-related, a memo stating your reasons should be sent to the TPA. Contact the TPA by telephone if time is a problem. The TPA has only 14 days in which to controvert a claim. Also, failure to report an injury may result in monetary penalties being imposed by the Deputy Commissioner. Even if the employee does not intend to get medical attention, reporting to the TPA is necessary for administrative purposes and to establish the beginning of certain time limitations. All medical bills and other related correspondence shall be sent to the TPA for payment and processing.
- (2) Form LS-1, Request for Examination and/or Treatment. This form is the employer's authorization for medical attention and permits an authorized physician of the employee's choice to examine and/or treat an employee, covered by the Nonappropriated Fund Instrumentalities Act, for accident injury, illness or disease arising out of and in the course of employment. Complete this form even if you believe the employee's condition was not caused or aggravated by employment. Once this form is signed, Coast Guard NAF is obligated to take care of medical bills until such time as the claim has been denied. If you have any questions in this regard, contact the TPA representative. If there is no question whether the accidental injury, illness, or disease arose out of and in the course of employment, and you intend to authorize treatment, complete the front of the form and check Box A in Item #7. If there is a question, check Box B. Prepare an original and four copies and distribute as follows:
  - (a) Original and two copies to the employee, for the physician. The physician is to complete the medical report, send the original report to the Deputy Commissioner, one copy with the initial fee bill to the TPA and one copy to be retained by the physician.
  - (b) One copy retained in the supporting NAF personnel office.
  - (c) One copy to the TPA. The TPA will provide the exchange a copy of the doctor's report when received. A narrative report from the doctor, in lieu of the LS-1, is acceptable. Be sure the TPA gets a copy of either.

(d) Extenuating circumstances may exist where medical treatment must be received prior to processing this form.

(3) Form LS-204, Attending Physician's Supplementary Report. After Form LS-1 has been completed and filed by the physician, subsequent follow-up reports by the physician are necessary. They should be made regularly on Form LS-204. The physician may, however, submit a narrative report covering all of the information requested on Form LS-204. These reports should be submitted by the physician to the cognizant Deputy Commissioner and the TPA.

(4) Form LS-210, Employer's Supplementary Report of Accident or Occupational Disease. In the event that a report does not show the date the injured employee returned to work, or any time an injured employee returns to work and later becomes disabled for work as a result of the original injury, complete an original and one copy of Form LS-210 and distribute as follows:

(a) Original to the TPA -- See Exhibit 8-4 for address.

(b) Retain one copy in the NAF personnel office.

Absolute promptness in filing this form is required to prevent overpayments or to ensure payments are made promptly should disability, resulting in further lost time, recur.

NOTE: The employer (CGES/MWR/CDC) should call the TPA when the employee has returned to work to reduce possibility of overpayments.

D. Workers' Compensation Forms. Exhibit 8-5 lists the forms used for Longshore and Harbor Workers' Compensation Act claims. Should you have any questions concerning completing, filing, or distributing individual forms, refer to the printed instructions on the particular form. Forms to be initiated by the CGX, marked with an asterisk in Exhibit 8-5, are available upon request from Commandant (G-WPC).

E. CGES and MWR Casualty/Liability Report (CG-5190) (RCS-G-WPX-6228). This report, Exhibit 8-6, submitted to Commandant (G-WPX,) is required for validating values, quantities and risk exposure for insurance coverage purposes. Commandant (G-WPX) will notify commands by message when the report is due, normally every 3 years. Include in the report all CGES and MWR vehicles, watercraft and recreational equipment that were purchased with either appropriated or nonappropriated funds. Exhibit 8-7 provides the required information and the report format that can be reproduced locally.

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EXHIBIT 8-1

COAST GUARD NAF INSURANCE PROGRAM						
PROGRAM	TYPE OF INSURANCE	INSURANCE CARRIER	COVERAGE	LIMITS	PROGRAM DEDUCTIBLE	CLAIM ADMINISTRATOR
<b>CGES</b>	Workers Comp	Self-Insured	NAF Employees	No Limit	All Costs	Third Party Administrator
	General Liability	Commercial Carrier	Third Party Claims	\$7.5M	\$1M	Third Party Administrator
	Vehicle Comp/ Collision	Self-Insured	NAF Vehicles	NADA value	All Costs, Unit \$1K	CGES HQ
	Property	Self-Insured	NAF Personal & Real Property	Variable	All Losses Unit \$5K	CGES HQ
	Fidelity	Self-Insured	NAF Funds	No Limit	All Losses	CGES HQ
<b>MWR</b>	Workers Comp	Self-Insured	NAF Employees	No Limit	All Costs	Third Party Administrator
	General Liability Primary	Commercial Carrier	Third Party Claims	\$1M/\$2M	\$250K	Third Party Administrator
	Excess			\$10M	\$1M	Third Party Administrator
	Vehicle Comp/ Collision	Self-Insured	NAF Vehicles	NADA value	All Costs, Unit \$5K	CGES HQ
	Property	N/A				
<b>CDC</b>	Fidelity	N/A				
	General Liability Primary	Commercial Carrier	Third Party Claims	\$1M/\$2M	\$250K	Third Party Administrator
	Umbrella			\$5M	\$1M	Third Party Administrator

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## EXHIBIT 8-2

### NAF IDENTIFICATION NUMBERS FOR REPORTING INSURANCE/WORKERS COMPENSATION CLAIMS

#### Alabama

ATC Mobile-----0076-0606  
Base Mobile-----0008-0302

#### Alaska

ISC Kodiak-----0017-0503  
ISC Ketchikan -----0017-0329  
AIRSTA Sitka -----0017-0205

#### California

ISC Alameda-----0012-0605  
GRU Humboldt Bay -----0012-0325  
TRACEN Petaluma -----0074-0603  
ISC San Pedro -----0011-0324

#### Connecticut

Academy-----0060-0601  
GRU Long Island Sound -----0003-0307

#### Florida

AIRSTA Clearwater -----0007-0204  
STA St. Petersburg-----0007-0334  
AIRSTA Miami-----0007-0203  
Base Mayport -----0007-0315

#### Hawaii

AIRSTA Barbers Point -----0014-0202  
ISC Honolulu -----0014-0327

#### Louisiana

ISC New Orleans-----0008-0316

#### Maine

GRU South Portland -----0001-0301

#### Maryland

Yard -----0080-0504

#### Massachusetts

ISC Boston -----0001-0502  
AIRSTA Cape Cod-----0001-0201



New Jersey

TRACEN Cape May -----0077-0602

New York

Activities New York -----0003-0501

North Carolina

Support Center Elizabeth City -----0005-0507

Ohio

North Coast Exchange Region-----0009-0702

Oregon

GRU Astoria -----0013-0326

AIRSTA North Bend -----0013-0212

Pennsylvania

GRU Philadelphia -----0003-0309

Puerto Rico

AIRSTA Borinquen-----0007-0211

Base San Juan-----0007-0313

South Carolina

Base Charleston-----0007-0310

Texas

Base Galveston -----0008-0317

Virginia

ISC Portsmouth-----0005-0505

TRACEN Yorktown -----0075-0604

Commandant (G-WPX) -----0098-0798

Washington

AIRSTA Port Angeles -----0013-0210

ISC Seattle-----0013-0506

NOTE: Parent CGXs shall use their identification numbers when reporting claims for employees of their branches unless an ID number is listed for the location.

EXHIBIT 8-3

CGES MISHAP REPORT FORMAT

I. General Mishap Data:

Report Number \_\_\_\_\_ Phone Number \_\_\_\_\_

Unit Name \_\_\_\_\_ OPFAC \_\_\_\_\_

Address \_\_\_\_\_

Mission At-time \_\_\_\_\_

Date of Mishap \_\_\_\_\_ Time \_\_\_\_\_ Location \_\_\_\_\_

Weather \_\_\_\_\_

Primary Type of Mishap \_\_\_\_\_ Secondary \_\_\_\_\_

Total Exposed/Onboard \_\_\_\_\_ Fatigue Factor? \_\_\_\_\_ Drug/Alcohol Factor? \_\_\_\_\_ Seat Belt Used? \_\_\_\_\_

Protective Equipment Used \_\_\_\_\_

Narrative of Mishap \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Cause \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Corrective Action \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Report by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Reviewing Officer's Comments \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Additional Findings \_\_\_\_\_

II. Personnel Data:

Employee Name \_\_\_\_\_ Grade \_\_\_\_\_ Status \_\_\_\_\_  
Job Title \_\_\_\_\_ Job Assignment \_\_\_\_\_  
Third Party Name \_\_\_\_\_ Phone Number \_\_\_\_\_  
Address \_\_\_\_\_

III. Injury/Illness Data Employee and Third Party:

Code of Injury/Illness \_\_\_\_\_ Nature \_\_\_\_\_ Severity \_\_\_\_\_  
Contaminants \_\_\_\_\_ Days Off Work \_\_\_\_\_ Days Restricted Activity \_\_\_\_\_  
Workers' Compensation Filed \_\_\_\_\_ Personnel Cost(s) \_\_\_\_\_  
Name/Address of Doctor and Hospital \_\_\_\_\_

IV. Property Damage Data:

Government Property (NAF or APF) \_\_\_\_\_ Vehicle License No. \_\_\_\_\_ Gov't Owner \_\_\_\_\_  
Additional Property \_\_\_\_\_  
Additional ID \_\_\_\_\_  
Owner or Operator \_\_\_\_\_  
Liability Claim \_\_\_\_\_ Operational Days Lost for Equipment/Property \_\_\_\_\_

(Reproduce locally)

EXHIBIT 8-4

NAF WORKER'S COMPENSATION/GENERAL LIABILITY

**Points of Contact**

1. COMMANDANT (G-WPC)

Workers Compensation Specialist

Telephone: (202) 267-1342

FAX: (202) 267-4580

Mailing Address:

Commandant (G-WPC-6)  
2100 Second Street. SW, Room 6306  
Washington, DC 20593-0001

2. THIRD-PARTY CLAIMS ADMINISTRATOR

Gates McDonald is the current Third-Party Claims Administrator (TPA) under contract with the Coast Guard Exchange and Morale Program.

Claims Examiners

Worker's Compensation Claims

Telephone: (407) 916-6897 direct **or** (800) 962-0749

FAX: (407) 916-5681

Address:

Gates McDonald  
2301 Lucien Way, Suite 140  
Maitland, FL 32751

General/Automotive Liability Clams

Telephone: (800) 638-7784

FAX: (410) 344-1158

Address:

Gates McDonald  
Carroll Building, Suite 200  
8600 La Salle Road  
Towson, MD 21286

### 3. DISTRICT OFFICES OF THE DOL

There are 13 district offices located throughout the United States. Contact information for these offices is listed below:

**District 1:** Eastern Canada, Newfoundland, Greenland, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

Assistant District Director for LS/HW  
One Congress Street, 11th Floor  
Boston, MA 02114  
Phone: (617) 565-4513

**District 2:** All overseas areas not assigned to another district office, Europe, Middle East, Africa, South and Central America, Bermuda, Puerto Rico, Panama, Virgin Islands, New York, and New Jersey.

Assistant District Director for LS/HW  
201 Varick Street, Room 750  
New York, NY 10014  
Phone: (212) 337-2030

**District 3:** Delaware, Pennsylvania, and West Virginia

Assistant District Director for LS/HW  
Gateway Building, Room 13180  
3535 Market Street  
Philadelphia, PA 19104  
Phone: (410) 596-5568

**District 4:** District of Columbia and Maryland

Assistant District Director for LS/HW  
Federal Building, Room 1026  
Baltimore, MD 21201  
Phone: (301) 962-3677

**District 5:** Virginia

Assistant District Director for LS/HW  
Federal Building, Room 212  
Granby Mall  
Norfolk, VA 23510  
Phone: (804) 441-3071

**District 6:** Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina,  
and Tennessee

Assistant District Director for LS/HW  
U.S. Post Office Building  
214 N. Hogan, Suite 1640  
Jacksonville, FL 32202  
Phone: (904) 232-1285

**District 7:** Arkansas and Louisiana

Assistant District Director for LS/HW  
701 Loyola Ave., Room 13032  
New Orleans, LA 70113  
Phone: (505) 589-2671

**District 8:** Texas, Oklahoma, and New Mexico

Assistant District Director for LS/HW  
12600 Featherwood Drive  
Houston, TX 77034  
Phone: (713) 220-2180

**District 10:** Central Canada, Minnesota, Wisconsin, Illinois, Indiana, Iowa, Kansas, Michigan,  
Missouri, Nebraska, and Ohio.

Assistant District Director, LS/HW  
230 Dearborn, 8th Floor, Room 804  
Chicago, IL 60604  
Phone: (312) 353-8883

**District 13:** Arizona, Nevada and Northern California

Assistant District Director of LS/HW  
71 Stevenson Street, Suite 225  
San Francisco, CA 94119-3770  
Phone: (415) 744-6869

**District 14:** Western Canada, North Pacific areas, Alaska, Idaho, Oregon, Washington, Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming

Assistant District Director, LS/HW  
1111-3rd Avenue, Suite 620  
Seattle, WA 98101-3212  
Phone: (206) 553-4471

**District 15:** Hawaii, Indian Ocean, Indian subcontinent, Southwest Asia, China, Korea, Japan, North and South Pacific areas

Assistant District Director, LS/HW  
300 Ala Moana Boulevard, Room 5108  
P.O. Box 50209  
Honolulu, HI 96850  
Phone: (808) 541-1983

**District 18:** California south of the Tehachapi Mountains  
Assistant District Director, LS/HW  
401 E. Ocean Boulevard, Suite 720  
Long Beach, CA 90802  
Phone: (310) 514-6223

## EXHIBIT 8-5

### DEPARTMENT OF LABOR WORKERS COMPENSATION FORMS

- 1.\* LS-1, Request for Examination and/or Treatment - CGX initiated. Give to employee to give to physician.
2. LS-18, Pre-Hearing Statement - Completed by each party and sent to the Deputy Commissioner for forwarding to an Administrative Law Judge for a formal hearing. Must be filed within 21 days of issuance date. Initiated by TPA.
3. LS-200, Report of Earnings - Initiated by TPA on behalf of employer.
- 4.\* LS-201, Notice of Employee's Injury or Death - Given to employee on request. Employee or representative completes.
- 5.\* LS-202, Employer's First Report of Accident or Occupational Illness - in death - also see LS-261 - CGX initiated telephonically.
- 6.\* LS-203, Employee's Claim for Compensation - Initiated by employee or their representative.
- 7.\* LS-204, Attending Physician's Report - Give to employee to give to physician. May also be a narrative covering all questions on form.
8. LS-206, Payment of Compensation Without Award - Initiated by TPA on behalf of employer.
9. LS-207, Notice to the Deputy Commissioner that Right to Compensation is Controverted - Initiated by TPA on behalf of employer.
10. LS-208, Compensation Payment Stopped or Suspended - Initiated by TPA within 16 days. If not filed timely, fines could result.
- 11.\* LS-210, Employer's Supplementary Report of Accident or Occupational Illness - Initiated by CGX upon knowledge of any change in the employee's status, such as return to work.
- 12.\* LS-242 (NF), Poster - "Notice to Employees." This poster must be posted in a conspicuous place.
- 13.\* LS-260, Notice of Death - Filed by dependent(s) within 30 days of death or when known related to work, to Deputy Commissioner and TPA. Commissioner sends dependent additional material.
- 14.\* LS-261, Supplemental Report of Employer in Death Cases - Initiated by CGX in duplicate to Deputy Commissioner, plus one copy to the TPA. This is in addition to LS-202.
- 15.\* LS-575 (NF), Employee Relations Benefit Pamphlet.

*\*Forms initiated by appropriate Personnel Assistant.*



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**U. S. COAST GUARD  
CGES/MWR CASUALTY/LIABILITY INSURANCE REPORT**

RCN-7010-4

DIST/UNIT: \_\_\_\_\_

FISCAL YEAR \_\_\_\_\_

**VEHICLES**

DESCRIPTION	MAKE	YR	CODE	SERIAL#	LICENSE#	LENGTH (FT)	QUANTITY	VALUE

**RECREATIONAL EQUIPMENT**

DESCRIPTION	MAKE	YR	CODE	SERIAL#	LICENSE#	LENGTH (FT)	QUANTITY	VALUE

**BOATS**

DESCRIPTION	MAKE	YR	CODE	SERIAL#	LICENSE#	LENGTH (FT)	QUANTITY	VALUE

**OTHER**

DESCRIPTION	MAKE	YR	CODE	SERIAL#	LICENSE#	LENGTH (FT)	QUANTITY	VALUE

## EXHIBIT 8-7

### CGES/MWR CASUALTY/LIABILITY INSURANCE REPORT (FORM CG5190 – EXHIBIT 8-6)

The following information is required for this report:

Description – Complete each category (i.e., vehicles, recreational equipment, watercraft, and others being reported) prior to proceeding to the next category. The following is a breakdown for each category.

- a. Vehicle. (Automobile, cargo trucks, buses, passenger vans, and pick-up trucks)
- b. Recreational Equipment. (Campers – self-motorized, camper trailers – U-Haul type, and boat trailers)
- c. Watercraft. (Inboard, outboard, rowboats, canoes, sailboats, etc.)
- d. Others. (Fork lifts, golf carts, snowmobiles, water-mobiles, etc.)
- e. Make – Indicate Manufacturer
- f. Year – Indicate model year. If unknown, give estimate followed by EST.
- g. Code – Indicate whether the type of equipment being reported is CGX or MWR by the respective letter designation (X) or (M).
- h. Serial Number – This column applies only to vehicles and recreational equipment.
- i. License Plate Number – This column applies to vehicles, recreational equipment, and boat trailers.
- j. Length (feet) – This column applies to watercraft only.
- k. Quantity - Indicate the total quantity on hand of each make entered in column 2. This column applies only to items which have no specific serial or license numbers and which are in all respects identical (i.e., canoes, rowboats, etc.).
- l. Value – The original cost value of the total number of items listed for each line. If the original cost value is unknown, record the best estimate, and enter EST after the figure.

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## CHAPTER 9. NONAPPROPRIATED FUND CONTRACTING

- A. Purpose. This Chapter establishes procurement policies and procedures for Coast Guard Nonappropriated Fund Instrumentalities. Additional policy and procedures applicable to specific NAF programs are provided in each program's regulations.
- B. Responsibility and Authority. Commandant (G-WPX) is responsible for ensuring the proper management of NAFs. Authority to obligate and expend nonappropriated funds is delegated to the designated military or civilian heads of the respective NAF programs. This authority may be delegated to other administrative and operating elements as deemed appropriate.
- C. Procurement Standards of Conduct.
1. All individuals involved in any aspect of procurement and related activities are responsible for conducting business dealings in a manner completely above reproach. Their conduct must be such that they would have no reticence about fully disclosing it. This includes, but is not limited to the following:
    - a. All decisions pertaining to procurement awards must be free of any conflict of interest. An employee is prohibited from participating in any procurement which they or any person whose interests are imputed to them has a financial interest, if the particular matter will have a direct and predictable effect on that interest. The financial interests of the following persons will serve to disqualify an employee to the same extent as if they were the employee's own interests: the employee's spouse; minor child; general partner; an entity which the employee serves as officer, director, trustee, general partner or employee; and a person with whom the employee is negotiating for or has an arrangement concerning prospective employment.
    - b. All dealings with existing and potential suppliers and contractors must be conducted impartially and without prejudice or favor. Any conduct, however innocent, that could appear as favoritism must be avoided. Any personal association must be limited to the courtesies normally extended to all companies and their representatives.
    - c. The acceptance of any gift or gratuity from a person or firm conducting or seeking business with the Government, other than as authorized under current Government ethics standards, is prohibited. "A gift or gratuity" includes entertainment, meals, prizes, personal services or similar benefits of monetary value given to an employee of a Coast Guard NAFI or a member of the employee's family.
    - d. The disclosure of proprietary or source selection information may not be made to any potential supplier or contractor until it is available to the general public.
    - e. Dealings with a current or former military member or employee of the Federal Government are not to be conducted when it is known that doing so would violate statute, regulation or standards of conduct applicable to the member or employee.

- f. NAF contracting officers are prohibited from awarding a contract to any Government or NAFI employee, either civilian or military or to any organization substantially owned or controlled by one or more Government or NAFI employees. This policy is intended to avoid any conflict of interest that might arise between the employee's interests and their official duties and to avoid the appearance of favoritism or preferential treatment by NAFIs toward their employees. An exception to this rule may be granted if:
  - (1) The NAFI needs cannot otherwise be met or some other compelling reason exists.
  - (2) The exception is approved by Commandant (G-WPX).
2. Violations of purchasing integrity may subject an employee to disciplinary action such as, but not limited to, suspension without pay, termination of employment, and criminal prosecution.

D. Procurement Policies.

1. "Procurement" is defined as purchasing, renting, leasing, or otherwise obtaining goods, services or facilities. It includes all functions that pertain to obtaining supplies and services, solicitation and selection of sources, preparation and award of purchase orders and contracts, and all phases of procurement administration. However, it does not include the determination of requirements.
2. NAF procurements made by Coast Guard NAFIs are contractual agreements of the United States; however, they do not obligate appropriated funds (APF) of the United States. Any judgments or compromise settlements in suits brought under the provisions of the Contract Disputes Act are funded with nonappropriated funds unless other conditions exist that exempt the use of nonappropriated funds. No appropriated funds of the United States shall become due or be paid the contractor by reason of the delivery/purchase order.
3. Nonappropriated funds are neither subject to the Anti-Deficiency Act nor otherwise allotted for specific calendar periods. Therefore, NAF procurements may be based solely upon the identification of need and certification of fund availability.
4. The Federal Acquisition Regulations (FAR and supplements) do not apply to NAF procurements. However, in certain instances, in order to comply with other applicable statutes that apply to NAF procurements, the FAR will be followed as policy. Such instances will be detailed later in this Chapter.
5. All NAF procurements are subject to the same close scrutiny given APF purchases. Each procurement should:
  - a. Be made in the public interest.
  - b. Reflect reasonable and competitive price.
  - c. Provide the greatest overall benefit.

6. Coast Guard appropriated fund contracting officers and contracting specialists are authorized to negotiate, award, and administer NAF procurements for non-resale goods and services and construction contracts to the extent of their contracting warrants. Additionally, they may act in a procurement advisory capacity to NAF organizations and activities, (without the need for separate warrants or appointing letters due to a nonappropriated fund procurement). When circumstances exist in which the required procurement expertise and authority are not available from a NAF procurement office, appropriate Coast Guard procurement offices are expected to negotiate, award, and administer NAF procurement for non-resale goods and services. Department of Defense Nonappropriated Fund contracting officers may also negotiate, award, and administer Coast Guard NAF contracts for non-resale goods and services and construction contracts in accordance with their respective NAF procurement/contracting regulations.
7. All NAF procurements are to be accomplished:
  - a. Through competitive negotiation, other than when sealed bids are required or another method is determined to be more appropriate.
  - b. By persons experienced in purchasing or contracting, as applicable.
  - c. Fairly, equitably, and impartially.
  - d. To provide the greatest overall benefit to the procuring organization.
8. Other than in circumstances specifically identified elsewhere in this Chapter, competition for NAF procurement of non-resale goods and services should be obtained from a reasonable number of sources (normally, a minimum of three). This does not apply if sole source negotiation is justified and authorized by the program manager or commanding officer of the NAF activity and documented in the procurement file.
9. NAF procurements shall not be conducted without first ascertaining sufficient funds are available to pay all associated costs within the time limitations of the Prompt Payment Act (normally, within 30 days of receipt of either the goods/services or applicable invoice, whichever is later).
10. Procurements are to be from responsible suppliers/sources whose offers provide the greatest benefit to the ordering organization, prices and other factors considered. Examples of other factors are time constraints, quality, required features, warranties, etc. A "responsible" source is one that:
  - a. Has or can obtain the necessary resources to furnish the required goods or services.
  - b. Can comply with the required delivery/performance schedules.
  - c. Has a satisfactory record of performance and integrity.
  - d. Is otherwise qualified and eligible to be selected under applicable laws, regulations, and similar directives.



11. Consolidated procurements from single sources should be utilized whenever practical to obtain savings through volume pricing, reduced transportation costs, and decreased administrative requirements.
12. Sole source purchases of supplies or services are authorized. Justification for sole source purchases includes:
  - a. When supplies or services required are available from only one responsible source, or a limited number of responsible sources, and no other type of supplies or services will satisfy the requirements.
  - b. Supplies may be deemed to be available only from the original source in the case of follow-on contracts for the continued development/operations of specialized equipment.
  - c. Unacceptable delays in fulfilling requirements.
13. Although the provisions of the Small Business Act of 1953 do not apply to NAF procurements, small businesses and small disadvantaged business concerns should be given the opportunity to compete for NAF solicitations, whenever practical.
14. To the extent practical, depending upon organizational size and staffing, NAF activities should establish means to preclude having the same staff member perform two or more of the following functions:
  - a. Identifying the requirement/issuing the purchase order.
  - b. Approving the purchase/certifying funds availability.
  - c. Conducting the procurement.
  - d. Receiving/inspecting/accepting the goods or services.
  - e. Approving/paying the invoice.
15. A company suspended or disbarred from conducting business with the Coast Guard by Executive Order, Congress, the Department of Homeland Security, or the Coast Guard shall not be considered as a source for procurement. A company known to have been similarly suspended or disbarred by another NAFI, either internal or external to the Coast Guard, will not be considered as a source for procurement unless no satisfactory alternative source can be identified.
16. Whenever Coast Guard appropriated fund contracting officers or specialists conduct NAF procurements for non-resale goods and services, the FAR must be followed regardless of the nature, type, or expected cost of the applicable goods or services. The requesting NAF entity must furnish documentation certifying that sufficient nonappropriated funds are available for the procurement.

17. Whenever APF and NAF funded requirements are contained in the same acquisition, the NAF requirements are to be priced separately, when applicable, and a person authorized to conduct APF procurement must conduct the acquisition.
18. NAFIs are instrumentalities of the United States Government and are entitled to all immunities afforded the U.S. Coast Guard under the Federal Constitution and statutes. See Chapter 11 of this Manual for information concerning Federal, state, and local taxes.

E. Socioeconomic Programs.

1. Equal Employment Opportunity. Executive Orders 11246 and 11375 require inclusion of an Equal Opportunity Clause in Government contracts, and contractor compliance with its terms. This does not apply to the purchase of merchandise for resale, regardless of amount, or to procurements that will not exceed \$10,000 in cost. It does apply to all other NAF procurements involving labor performed in the United States and for procurements involving labor performed outside the United States when workers will be recruited from within the United States.
2. Small Business Program. The Small Business Program establishes a process by which designated goods and services are "set aside" for procurement from sources identified as small businesses under the criteria of the FAR.
  - a. NAF procurements are not subject to requirements of the Coast Guard Small Business Program.
  - b. NAF procurements from small business firms are encouraged whenever those firms are competitive in price and other respects.
3. Minority Business Enterprise Program. Executive Order 13170 states that, in the national interest, increased involvement of minority business enterprises in Federal procurement programs is required. A minority-owned business is one which is owned by minority group members or in the case of publicly-owned businesses, one in which at least fifty-one percent of the stock is owned by minority group members. For this purpose, minority members are defined as Black Americans, Hispanic Americans, Oriental Americans, and Native Americans including American Indians, Eskimos, Aleuts and Hawaiians. For NAFIs, this program applies only to:
  - a. Concession or other retail personal services but only in instances in which the type of service desired is not currently available to customers at the applicable locations.
  - b. Facility construction contracts.
4. Purchases from the Blind or Severely Disabled. The Wagner-O'Day Act (41 U.S.C. §§ 46-48c) provides for the purchase of certain commodities and services from any qualified nonprofit agency for the blind or by any qualified nonprofit agency for other severely handicapped individuals, with the objective of increasing employment opportunities for these individuals. NAF activities are required to comply with this Act.

5. The Randolph Sheppard Act. 20 U.S.C. § 107, the Randolph Sheppard Act, provides that accommodation to blind vendors must be made to operate in Federal facilities and also requires that at least part of the income from vending machines on Federal property accrue to the benefit of the blind operators in the state. Profits from vending machines operated by military exchanges are immune from the Act's requirement to share vending income with state agencies for the blind.
6. Purchases from the Federal Prison Industries. Federal Prison Industries, Inc., also known as UNICOR, is a Government corporation which provides crafts and trades training and employment for inmates in Federal correctional institutions. Procurement by NAFIs from UNICOR is required for the goods it manufactures and services it commonly provides that are not available from Blind and Other Severely Handicapped nonprofit agencies.
7. Service Contract Act. The McNamara-O'Hara Service Contract Act of 1965 requires service contractors to pay no less than the minimum wage prescribed by Federal law. It applies to all NAF service solicitations and procurements that will exceed or are expected to exceed \$2,500 in contractor gross revenues over the life of the contract, except as indicated below.
  - a. The Act does not apply to procurement of the following:
    - (1) Construction, alteration or repair, including painting and decorating, of public buildings or public works. This includes all NAF facilities.
    - (2) Supplies, equipment, or other material of a tangible nature manufactured as an end product, even if the manufacture or furnishing of the material may require some services to be performed.
    - (3) Transportation of freight or personnel where published tariff rates are in effect.
    - (4) Services subject to the Communications Act of 1934.
    - (5) Public utility services.
    - (6) Services to be performed by an independent contractor or directly and only by an individual or individuals doing business as a company; that is, when no contractor employees will be involved in providing the service.
    - (7) Services to be performed by bona fide executive, administrative, or professional personnel, when the use of other service employees will be only a minor part of the contract (refer to 29 CFR 541). For NAFIs, this exemption would usually apply to professional personnel who generally are defined, as those who have gained required professional knowledge through prolonged study. Outsource accountants and auditors are examples.
    - (8) Concession contracts unless, under the terms of the contract, the NAFI will directly receive services from the concessionaire. An example would be if a vending concessionaire were required, in addition to normal operations, to maintain NAF-owned vending machines.

- b. For all planned new service contracts and extensions or options to existing service contracts that do not clearly meet any of the exemptions listed above, if the procurement office determines the Act will apply:
  - (1) The procurement office conducting the solicitation will request a wage rate determination from the Department of Labor.
  - (2) For services not expected to exceed \$2,500 the NAFI conducts the procurement.
- 8. Buy American Act. The Buy American Act applies to purchases of supplies and services made by NAFIs for use in the United States but does not apply to purchases for use by NAFIs overseas. Additionally, it does not apply to purchases of goods for resale. “United States,” as used in this regulation means the United States, its possessions, Puerto Rico, and any other places subject to its jurisdiction, but does not include leased bases or trust territories. For purchases for use in the United States, the following requirements apply:
  - a. DOD FAR Supplement (DFARS), part 25 subpart 25.1 (Buy American Act – Supplies).
  - b. DFARS part 25, subpart 25.2 (Buy American Act – Construction Materials).
  - c. DFARS part 25, subpart 25.71 (Canadian Purchases).
  - d. AFARS subpart 25.1 (Buy American Act – Supplies) and subpart 25.7.
- 9. Walsh-Healey Act. The Walsh-Healey Public Contracts Act (41 U.S.C. § 35-45) applies to contracts, including indefinite-delivery contracts, basic ordering agreements, blanket purchase agreements, and certain subcontracts for the manufacturing or furnishing of supplies that are to be performed in the United States, Puerto Rico, or the Virgin Islands and that exceed or may exceed \$10,000 unless exempted by the Act. However, if determined in advance that the aggregate amount of all orders estimated to be placed under the contract or agreement for one (1) year after the effective date of the contract or agreement will not exceed \$10,000, or contract or agreement is limited to \$10,000 or less by the terms of the contract or agreement, then the Act will not apply. A determination shall be made annually thereafter if the contract or agreement is extended, and the contract or agreement modified, if necessary. This Act does not apply to the purchase of goods for resale.
- 10. The Davis-Bacon Act. The Davis-Bacon Act (40 U.S.C. § 276a) requires that construction contracts over \$2,000 contain a clause that states that no laborer or mechanic employed directly upon the site of work covered by the contract will receive less than the prevailing wage (including basic hourly rates and fringe benefits) as determined by the Secretary of Labor. The requirements pertaining to the Davis-Bacon Act, set forth in FAR Subpart 22.4, DFARS Subpart 22.4 and AFARS Subpart 22.4 will be followed as they apply to NAF construction contracts.

11. The Copeland Act. The Copeland Act (Anti-Kickback Act) (18 U.S.C. § 874 and 40 U.S.C. § 276c) is applicable to construction contracts and subcontracts. It prohibits attempts to avoid minimum wage requirements of the Davis-Bacon Act by taking kickbacks on wages paid employees and authorizes the imposition of criminal penalties for the violation of the Act.

F. Procurement of Operating Supplies, Equipment, and Non-Construction Services.

1. NAF procurements are exempt (except as may be established elsewhere herein as policy) from the following standards that apply to APF procurements:
  - a. The "micropurchase" monetary maximum.
  - b. Mandatory sources of supply, with the exception of the Blind and Other Severely Handicapped program and the Federal Prison Industries program.
  - c. Required use of APF purchase documents and procedures.
  - d. Restrictions regarding the procurement of personal services. As policy, however, personal service procurements should be made only when direct employment is not possible or feasible. Approval is required by Commandant (G-WPX).
2. Non-resale goods and services must be obtained from the following sources, if the products or services included in the source catalogs or schedules meet all requirements:
  - a. Equipment and supplies:
    - (1) Federal Prison Industries, Inc.
    - (2) Industries for the Blind and Other Severely Handicapped.
    - (3) GSA Federal Supply Bulletins/GSA Advantage.
    - (4) Army and Air Force Nonappropriated Fund Procurement Office.
    - (5) Other sources of supply as directed by NAF program directives/procedures.
  - b. Services:
    - (1) Industries for the Blind and Other Severely Handicapped.
    - (2) Federal Prison Industries (UNICOR).
3. Goods and services may be obtained on a non-competitive basis, regardless of cost, from the above sources.
4. Goods and services also may be procured on a non-competitive basis, regardless of cost, when ordered under the terms of an existing Coast Guard or other Government contract issued by either an APF or a NAF entity.

5. The following applies to the procurement of non-resale goods and non-construction services from the open market, that is, from sources other than those identified in Paragraphs 2 through 4 above:
  - a. For purchases of goods or services which cost \$2,500 or less:
    - (1) Competition is not required if the price is considered reasonable. However, in any instance in which the reasonability of price is doubted or unknown, competition is to be sought.
    - (2) When two or more responsible sources operate in the local business area and their prices are comparable, repetitive procurements should be rotated among them.
    - (3) When price is not considered reasonable and competition is deemed appropriate, follow the procedures of paragraph 5.b., immediately below.
  - b. For procurements of goods which cost greater than \$2,500, but not more than \$25,000:
    - (1) Whenever possible, a minimum of three quotes are to be obtained and documented (if verbal) or included (if written). Two or less quotes are permissible when only one or two prospective sources can be identified, or when sole source procurement is otherwise justified and approved.
    - (2) In obtaining quotes, inform prospective vendors whether award will be based solely on quoted cost or if other factors will be considered and what those factors are. Document or include these criteria in the purchase order file.
    - (3) If sole source procurement is justified, document the reasons therefore, negotiate or obtain a verbal or written quote, and include all this information in the purchase order file.
  - c. For purchases of goods which cost greater than \$25,000:
    - (1) Purchases of capital equipment or of materials for an exchange capital improvement must receive the specific approval of Commandant (G-WPX).
    - (2) The procedures for F.5.b., above, apply except that solicitations, terms, vendor quotes and, if applicable, sole source justification must be tendered or cited in writing through business correspondence and applicable forms.
  - d. For purchases of non-concession services which cost greater than \$2,500:
    - (1) If applicability of the Service Contract Act of 1965 is not readily apparent, request the assistance of an APF procurement office.
    - (2) If the services are not subject to the Service Contract Act, procure in accordance with F.5.b or F.5.c, above, depending upon anticipated cost.

- (3) Contracts may be awarded for periods of up to two years, with provisions for as many as three annual renewals. The total duration of a service contract, including renewal(s), is not to exceed five years; service contracts must again be formally solicited, negotiated, and awarded.
- e. For purchases of concession services which cost greater than \$2,500:
- (1) Concession contracts for which the concessionaire's gross revenues over the life of the contract are expected to exceed \$2,500 and under which the NAF activity will directly receive services from the concessionaire (see paragraphs E.7.a (1) to E.7.a. (8)), are subject to the Service Contract Act.
  - (2) A concession contract may be awarded for a period of up to five years including renewal options. At the end of the five-year period, they must be formally resolicited, negotiated, and awarded.
  - (3) In certain instances in which a concessionaire requires a major capital investment in order to provide services (i.e., such as the construction of a fast food facility) a five-year period may not be unacceptable. In these instances, Commandant (G-WPX) must approve requests for longer commitments.
  - (4) To the extent practical, contracts for concessions or other retail personal services not currently available to customers should be reserved for negotiation with responsible minority firms whose names are furnished by the Minority Business Development Agency.
  - (5) A minority firm will be eligible for only one contract at any one time under the Minority Business Development Program, unless no other minority sources are available to perform another service for which the one firm is qualified. However, such firms should be included in source lists for all applicable competitive solicitations.
6. NAFIs are prohibited from contracting with detective agencies that offer quasi-military armed personnel for hire, with any of their employees, and with independent private investigators (5 U.S.C. § 3108). This prohibition does not extend, however, to contracts with firms that offer security guard services, even though their employees may carry weapons and the company provides general investigative as well as protective services.

G. NAF Construction Procurements.

1. Any NAF construction procurement in excess of \$2,000 will be made in accordance with the FAR or DOD NAFI component regulations. Compliance with Davis-Bacon Act for construction contracts in excess of \$2,000 is required.
2. Contracts are to be developed, awarded, and administered by contracting officers or specialists. Coast Guard Civil Engineering Units are responsible for executing NAF construction procurements greater than \$2,000. DOD NAFI components are also authorized to execute such procurements.

3. NAF construction procurement of \$2,000 or less may be conducted in accordance with the procedures for procurement of goods or services with a total cost of \$2,500 or less, as outlined in paragraph 9.F.5.

H. Procurement Records/Files. The following documents forms/notations concerning procurement for non-resale goods and services must be maintained in appropriate procurement files: Procurement Request DOT F 4200.12CG; SF-18 Request for Quotations when applicable, sole source justification when applicable; OGA Optional Form 347, Order for Supplies and Services; and, SF-1449, Solicitation/Contract/Order for Commercial Items, receipts/receiving documents and invoices. Any telephonic quotes received shall be documented/annotated and included in the file.

I. Vending Operations.

1. Purpose. Providing goods and products through vending machines is an efficient way to deliver convenience goods and services when it is not economical to offer these products in resale activities. CGES is the primary source for all resale activities and has the right of first refusal for vending operations except where the vending operation is inside the MWR activity (e.g. a beverage/snack machine within a bowling center). The objective of vending operations is to provide goods and services in a convenient area.
2. Establishing Vending Operations. At shore units with Coast Guard exchanges or satellite exchanges, vending operations shall be operated under the direction of the Coast Guard Exchange System. At shore commands without a tenant CGES activity, vending may be operated by the local morale fund, as long as CGES is given the “right of first refusal.” Vending operations on afloat commands may be operated as an MWR or CGES activity at the discretion of the commanding officer. In no instance should a vending operation be initiated by an MWR activity without prior written authorization from Commandant (G-WPX), except on floating units.
3. Randolph Sheppard Act. Vending activities operated by the Coast Guard Exchange System are exempt from the income-sharing requirements of the Randolph-Sheppard Act. However, vending activities operated by any other NAFI at a shore unit may not be exempt. Prior to initiating any changes in its vending operations, commands shall ensure through the assistance of the servicing legal office that such vending operations are not in conflict with any blind industries licensed by the applicable State. In those instances where Coast Guard vending activities, not operated under the Coast Guard Exchange System, are determined to be in conflict with any blind industries, the provisions of the Randolph-Sheppard Act may apply.
4. Vending Activities. Vending activities may be provided in several ways.
  - a. Direct Operations. Coast Guard NAIs own, rent, or lease the vending machines, provide products to be vended, and employ personnel to stock and maintain the vending machines. All related expenses associated with the operation of this vending business are the responsibility of the NAFI.



- b. Vending Machine Contract. Under this type of operation, the NAFI may own, rent, or lease vending machines and then issue a contract for a fee with a vendor to provide vending services as defined by the contract. All related vending expenses are again the responsibility of the NAFI and are as defined under the provisions of the contract. Vending machine contracts shall comply with Paragraph 9.J.9. of this Manual.
- c. Concession Contract for Vending Operations. Concessionaires own the machines and merchandise. They are responsible for stocking and maintaining the equipment and a fee is usually paid to the NAFI on the basis of a percentage of sales. Vending-related expenses are the responsibility of the concessionaire. This is the preferred method of operation. NAFIs desiring to contract or concession their vending operations shall ensure such agreements have been established in writing. These contracts and agreements should, at a minimum, contain provisions specifying the responsibilities of both the NAFI and the contractor/concessionaire, including:
- (1) A listing of required services.
  - (2) A method of reporting sales, whether daily, weekly or monthly.
  - (3) Pricing for services or commodities
  - (4) Hours of operation.
  - (5) Contract period is two years with three one-year renewals.
  - (6) Repair responsiveness.
  - (7) Commencement date of services.
  - (8) Payment of fees and invoices, including the methods and frequencies of payment.
  - (9) Cash handling procedures.
  - (10) Employee qualifications, if applicable.
  - (11) Equipment to be furnished and provided by each party to the contract.
  - (12) Applicable health and sanitation requirements.
  - (13) Any licensing and permit requirements.
  - (14) Merchandise quality and type.
  - (15) Signage.
  - (16) Utilities.
  - (17) Contract changes.

(18) Storage requirements.

(19) Responsibilities for damaged, broken, and vandalized vending machines.

5. Legal Sufficiency. Prior to executing NAF vending contracts or concession agreements, NAF activities shall ensure that the contracts and agreements are verified for legal sufficiency by the servicing legal office.
6. Unauthorized Activities. The vending of tobacco products and alcoholic beverages is prohibited on Coast Guard installations. The vending of any lotteries shall be in strict compliance with the provisions of the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST 1710.13 (series).

J. Concession Contracts.

1. General. Concession contracts are those that a concessionaire has a right to sell a particular type of item or to provide a specific service in a designated location for a specific period of time. Concession contracts normally involve the direct sale of goods or services to authorized patrons. Service contracts, by contrast, normally provide for a service to the NAFI and, generally, the service is not sold directly by the contractor to the military community. In addition, payment provisions of a service contract usually involve payment to the contractor by the NAFI, whereas, with concession contracts, the contractor (concessionaire) typically pays a fee to the NAFI, based upon a percentage of gross sales. Generally, contracts will be awarded in terms of a percentage of gross proceeds. However, contracts may be awarded requiring a payment of a flat fee when it can be justified as being more advantageous than using the percentage of gross proceeds arrangement.
2. Examples of Concession Contracts. Examples of concession contracts that are common in NAFI operations are listed below.
  - a. Operation of a beauty or barber shop.
  - b. Operation of a tour concession, ticket office, or photography studio.
  - c. Operation of vending and amusement machines.
  - d. Operation of a restaurant or snack bar.
3. Conditions for Use. Concession contracts may be used when both of the following conditions are met:
  - a. Commandant (G-WPX) has determined that NAF direct-hire is not appropriate and has issued this determination in writing.
  - b. Commandant (G-WPX) has authorized the NAFI to operate a resale activity by concession contract.

4. Responsibility for Obtaining Approvals. The requesting activity is responsible for obtaining approvals cited in paragraph 9.J.3. Standard NAF concession contract formats are available from Commandant (G-WPX). Requirements for concessions that do not obligate NAFs do not require the signature of Commandant (G-WPX) on the purchase request. However, Commandant (G-WPX) should be furnished a copy of the purchase request for planning and budgeting purposes. All other NAF concession contracts will be signed by Commandant (G-WPX).
5. Short-term Concessions. A short-term concession contract is established for a performance period of thirty days or less. Short-term concession contracts will be set up for payment to the NAFI on a flat fee basis or on a percentage of gross sales basis. The thirty-day period of performance does not necessarily mean thirty consecutive days. For example, the contract may specify a period of every Monday for a number of weeks. Such contracts usually involve the sale of items such as jewelry, artwork, and uniforms, as opposed to the examples of concession contracts cited in paragraph 9.J.2. Short-term concession contracts will be approved in writing by CGES district managers.
6. Solicitation Content. Solicitation will contain schedules of prices and service charges, as appropriate, and the fee or commission to be returned to the NAFI. The offeror may be asked to insert the offeror's prices or fee, or both. Solicitations will specify the goods or services to be supplied. Price competition may be obtained on the basis of the selling price or concession fee, or both, provided that appropriate evaluation factors are applied to make the basis for award clear. Such evaluation factors will be specified in the solicitation and an evaluation plan must be supplied to the contracting officer by the requiring NAFI when the contract requirement is submitted to the contracting officer. When a service is involved (such as the maintenance of vending machines), the Service Contract Act of 1965, as amended, may apply.
7. General Contract Requirements. Certain requirements are common to most concession contracts, regardless of the supply or service under contract. Clauses concerning the following will be included in the appropriate sections of each solicitation and resulting concession contract:
  - a. Identification of the type and extent of records that must be kept by the concessionaire.
  - b. The authority of the NAFI to audit or inspect (or to have audited or inspected) the records, premises, and operations of the concessionaire for the purpose of ensuring contract compliance.
  - c. A requirement that the concessionaire safeguard all assets in his or her possession in which the NAFI or the Government has an interest.
  - d. A requirement that the concessionaire certify the integrity of his or her financial records and reports.
  - e. Identification of reports that the concessionaire must provide.

- f. Identification of the commission as a fixed amount or percentage of sales as appropriate, and the method and time of payment.
- g. A requirement that the concessionaire post in a conspicuous place a complete price list for all goods or services available. The NAFI manager must approve the price list and the concessionaire must adhere to the prices that will be at a specified mark-up over cost.
- h. A requirement that separate physical inventories will be taken of all NAFI and Government owned equipment at the time that the concessionaire occupies the premises and that physical inventories will be taken every six months thereafter and on the final day of contract performance.
- i. A requirement that the concessionaire keep complete and accurate records of all transactions and that all sales are rung up in full view of the customer.
- j. A requirement that the concessionaire furnish cash registers or similar business machines and pre-numbered sales slips approved by the activity manager, or that the concessionaire use equipment and sales slips furnished by the NAFI.
- k. Concession contracts for amusement and vending machines meet the requirements set forth in 9.J.9.

8. Concession Contract Insurance Requirements.

- a. When determined by the contracting officer, concessionaires will be required to carry the following types of insurance in amounts sufficient to protect the interest of the NAFI granting the concession and the United States:
  - (1) Bodily injury and property damage liability insurance.
  - (2) Workers' compensation and employer's liability insurance for their employees.
  - (3) Property insurance for bailee property under their care, custody, or control.
  - (4) Public liability insurance.
- b. Any required certificate(s) of insurance must be provided prior to beginning of performance.

9. Vending Machine Requirements. Concession contracts for vending and amusement machines (excluding machines from which players receive money) will include the following requirements in appropriate sections of each solicitation:

- a. Type and number of machines to be provided.
- b. Locations where the machines will be placed.

- c. Procedures for cash collections, payment terms, meters, locks, repair, and maintenance.
  - d. Procedures for making refunds to customers for money lost in machines or for damaged merchandise.
  - e. The requirement that the concessionaire notify the contracting officer before rotating or changing machines.
  - f. Capability of coin counting meters to detect and reject “slugs” and foreign coins.
  - g. Time period required for stocking, repairing, and servicing the machines.
  - h. Temperature requirements for machines vending hot or cold foods.
  - i. Establishment of a reporting procedure to be used if the concessionaire discovers that the machines have been vandalized.
  - j. Electrical installation requirements.
10. Barber/Beauty Shop Requirements. Solicitations and resulting contracts for barber or beauty shop concessions will contain the following requirements in appropriate contract sections:
- a. The determination as to whether the operators will be required to have state licenses and/or certificates of training.
  - b. Specific sanitation requirements concerning the use of clean brushes, towels, etc.
  - c. Display of photographs of hair styles that meet Coast Guard grooming standards.
  - d. The determination as to which personnel will be authorized to use the barber or beauty shop.
  - e. Procedures for handling customers who have communicable diseases (such as scalp irritation).
11. Sports Pro Shop Requirements. Clauses concerning the following will be included in the appropriate sections of solicitations and resulting contracts for the operation of a sports pro shop:
- a. Who will be responsible for the purchase of items to be sold in the shop.
  - b. What type of items will be sold in the shop.
  - c. Establishment of reporting procedures upon discovery of vandalism or theft.
  - d. Whether the pro may have an assistant and, if so, who is responsible for the selection and supervision of the assistant.

- e. Whether any sports equipment will be rented to customers and, if so, who will be responsible for maintaining the equipment.
- f. A procedure for the disposition of any unsold merchandise on hand upon expiration or termination of the contract.
- g. Whether the sports professional will give instruction in the applicable sport.

K. Procurement Authority of Goods for Resale Using NAFs.

- 1. Authority to purchase goods for resale using NAFs is delegated to the Exchange System Director of Operations or the unit commanding officer with either MWR or CDC activities.
- 2. Re-delegation of this authority within the organization is authorized and must be in writing to specific positions/individuals with monetary limits of purchasing authority. This delegation will also specify the authorized procurement systems/programs available for purchasing goods for resale. Refer to the Coast Guard Exchange System Standard Operating Procedures Manual for further guidance.
- 3. NAF purchases are to be accomplished using DOT Form CG-4553 Purchase Order and mechanized POs for CGES purchases; MWR and CDC NAF purchases are to use Optional Form OF-347 Order for Supplies and Services, and other forms identified in the Simplified Acquisition Procedures Handbook, COMDTINST M4200.13 (series).

L. Ratification of Unauthorized Commitments.

- 1. Ratification. Ratification is the act of approving an unauthorized commitment, by an official who has the authority to do so, for the purpose of paying for supplies or services provided to the NAFI as a result of the unauthorized commitment. Only contracting officers acting within the scope of their authority may enter into contracts on behalf of the fund. A contractual commitment that is invalid solely because the individual who made it lacks the authority may be made valid by ratification.
- 2. Ratification Authority. For unauthorized commitments, regardless of amount, the ratification authority is Commandant (G-WPX).
- 3. Requirements. Ratification is permitted only if all of the following requirements are met:
  - a. The NAFI has obtained a benefit resulting from the unauthorized commitment (i.e., supplies or services must have been provided to and accepted, by the NAFI).
  - b. The resulting contract would otherwise have been proper if a duly authorized contracting officer had made it.
  - c. The contracting officer determines that the price is fair and reasonable.
  - d. Funds to make such payment are available.

4. Procedures. Each unauthorized commitment must be submitted to Commandant (G-WPX) for review according to the procedures below.
  - a. The individual who made the unauthorized commitment will prepare and sign a statement of all pertinent facts, covering at a minimum, the following matters:
    - (1) Why normal procurement procedures were not followed.
    - (2) What bona fide NAFI requirement necessitated the commitment.
    - (3) Whether any benefit was received and its value.
    - (4) Copies of all relevant documents including orders and invoices.
  - b. This signed statement will be forwarded to the applicable notification authority, who, in turn, will:
    - (1) Review the documentation for accuracy and completeness and obtain further documentation if deemed necessary.
    - (2) Describe the measures to be taken to prevent a recurrence of unauthorized commitments, including a description of any disciplinary action (to be) taken.

## CHAPTER 10. PRIVILEGES OF PATRONS

### A. Authorized Patrons.

#### 1. Introduction.

- a. The privilege to use the Coast Guard NAF programs will be under the guidance of this Manual and directives of the respective NAFI.
- b. The privilege of Coast Guard NAF patronage is subject to the availability of facilities.
- c. A patron may suffer revocation of privileges for the commission of an offense listed in Exhibit 10-1. When an abuse of privilege is discovered, the NAF activity manager will notify Commandant (G-WPX), via the chain of command to request the revocation of privileges or other disciplinary action. Commandant (G-WPX) may revoke exchange privileges of any patron and will advise the host commanding officer of the intended action. All revocations are to be coordinated between the commands and Commandant (G-WPX). The revocation of privileges may evolve from:
  - (1) Buying merchandise for resale or producing income, or
  - (2) Buying or securing services to benefit another not entitled to exchange privileges, or
  - (3) Engaging in shoplifting, or
  - (4) Exhibiting improper conduct.
- d. Commanding officers shall take disciplinary action and revoke the privileges of MWR and CDC patrons for actions/inappropriate behavior that jeopardizes the well being and safety of that command's activities.
- e. A revocation of privileges is to be by written notification sent via registered mail to the individual. The duration of suspension will be commensurate with the offense. ID cards required for other entitlements will not be confiscated.
- f. Exhibit 10-2 provides a listing of patron categories and the level of privileges granted. The listing of customers is not all-inclusive for all Coast Guard NAF programs. Each program's respective Coast Guard regulation provides the appropriate list of authorized patrons.



## 2. Definitions.

- a. Military Services. The United States Coast Guard, Army, Navy, Air Force, and Marine Corps.
- b. Uniformed Services. Unless otherwise qualified, the Coast Guard, Army, Navy, Air Force, and Marine Corps, commissioned officers of the U.S. Public Health Service, active duty and retired commissioned officers of the National Oceanic and Atmospheric Administration (NOAA) and its predecessors, and the Coast and Geodetic Survey. This includes the Environmental Science Services Administration.
- c. Uniformed Personnel. Members of the Coast Guard, Army, Navy, Air Force, and Marine Corps. Cadets and midshipmen of the United States Coast Guard, Army, Navy, and Air Force Academies. Commissioned officers and ships' officers of vessels of NOAA. Commissioned officers of the Public Health Service. Members of the Reserves, as defined in paragraph A.2.d.
- d. Reserves. The Army National Guard and Air National Guard of the United States, the Coast Guard Reserve, the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, and Reserve Officers of the Public Health Service.
- e. Dependents. Any of the following:
  - (1) A lawful spouse.
  - (2) Children under 21 years of age and unmarried, including pre-adoptive children, adopted children, stepchildren, foster children, and wards who depend on the sponsor for over half of their support.
  - (3) Children 21 years of age or over and unmarried, who are incapable of self-support because of a mental or physical handicap and depend on the sponsor for over half of their support. This includes adopted children, stepchildren, and wards.
  - (4) Unmarried children not past their 23<sup>rd</sup> birthday who are enrolled, full-time, at a college or university and depend on the sponsor for over half of their support. This includes pre-adoptive children, adopted children, stepchildren, foster children, and wards.
  - (5) Parents who depend on the sponsor for over half of their support. This includes fathers, mothers, fathers-in-law, mothers-in-law, stepparents, and parents by adoption.

- f. Auxiliary. Active members of the U.S. Coast Guard Auxiliary who possess a valid Coast Guard ID card (form CG-2650).
- g. Civilian Employees. U.S. Coast Guard Civilian employees within the payband, wage grade, general schedule, or senior executive service classifications.
- h. Exchange Employees. Civilian employees of all military exchange systems.
- i. Orphans. Surviving unmarried children of active or retired members of a uniformed service who are dependents, within the definition contained above, at the time of death of the parent(s). This includes natural born or adopted children under the age of 21, or over 21 if incapable of self-support, or children under 23 and enrolled, full-time, at a college or university.
- j. Surviving Spouse. A widow or widower who has not remarried, or who remarried but reverted through divorce or demise of the spouse to an unmarried status, from one of the following:
  - (1) Members, active or retired, of the regular Coast Guard, Army, Navy, Air Force, and Marine Corps.
  - (2) Members of the Reserves, as defined in paragraph A.2.d, retired with or without pay, or granted retirement pay for a physical disability under Title 10 U.S.C.
  - (3) Members of the Reserves, entitled to retired pay at age 60, but who chose to participate in the Survivor Benefit Plan before reaching that age.
  - (4) Members of the Fleet Reserve and Fleet Marine Corps Reserve.
  - (5) Recipients of the Medal of Honor.
  - (6) Members of the Reserves who died as a direct result of injuries incurred while on active duty, active duty for training, or inactive duty training.
  - (7) Active duty, retired officers, crews of vessels, light keepers, and depot keepers of the former U.S. Lighthouse Service.
  - (8) Veterans discharged under honorable conditions, who are eligible of compensation due to a 100 percent Service-connected disability.
  - (9) Active duty and retired commissioned officers of the U.S. Public Health Service.
  - (10) Active duty and retired commissioned officers and ships' officers of NOAA and its predecessors and the Coast and Geodetic Survey. This includes the Environmental Science Services Administration.

k. Retired Personnel.

- (1) All personnel on the official retired lists of the uniformed services, as defined in paragraph A.2.b., who are retired with pay, have been granted retirement pay for a physical disability or are entitled to retirement pay, whether or not such pay is waived.
  - (2) All members of the Reserves, as defined in paragraph A.2.d, who are retired with or without pay, are eligible for retired pay under Chapter 67, Title 10 U.S.C. (Gray Area Retirees), or have been granted retired pay for a physical disability.
  - (3) Personnel of the emergency officers retired list of the Coast Guard, Army, Navy, Air Force, and Marine Corps who retired under Section 11, P.L.85-857.
  - (4) Retired officers, crews of vessels, light keepers, and depot keepers of the former Lighthouse Service (33 U.S.C. § 754a).
  - (5) Retired commissioned officers and ships' officers of vessels of NOAA and its predecessors, and the Environmental Science Services Administration (33 U.S.C. §§ 857-4, 857-5).
- l. Unlimited Privileges. Authorization to purchase all merchandise and services provided by Coast Guard NAFIs.
- m. Limited Privileges. Authorization to purchase all merchandise and services, **except** state tax-free items (i.e., tobacco products and alcoholic beverages) and articles of uniform.
- n. Restricted Privileges. Authorization to purchase certain categories (see Exhibit 10-2) of merchandise and services.

B. Customer Identification.

1. The NAF activity manager shall employ all practical means to ensure that authorized patrons are identified before being served. All NAF employees must be familiar with the list of authorized patrons listed in Exhibit 10-2, as well as other program regulations.
2. Uniformed personnel, including members of the Reserves in regulation uniforms, can be identified by their uniform. However, as circumstances deem appropriate, they can be required to show proper identification before being served.
3. Non-uniformed personnel and dependents must show proper identification documents before being served. NAF employees must be sure that each purchase complies with local and state laws, as well as local command policy, concerning age and quantity limits on the sale of alcoholic beverages and tobacco products.

4. The Common Access Card (CAC) is becoming the universal ID card for the U. S. Armed Forces. The CAC has no form number. Eventually, it will replace most of the Military's existing ID cards. Until that time, all existing cards are valid.

C. Agents. The term "agent" means a person temporarily authorized, in writing (see Exhibit 10-3) to purchase CGES merchandise and services for an authorized patron. The NAF activity manager must approve agents in writing. This approval is not to exceed one year, unless extended for continuing hardship. An agent may be designated when an authorized patron falls into the following categories:

1. Authorized patron is blind or otherwise severely disabled and requires assistance when shopping.
2. Authorized patron is incapable of shopping due to certified medical reasons or the sponsor is stationed away from the household.
3. Authorized patron is a minor not living with an authorized patron or is an orphan. Normally, an agent should not be designated for a child who is 16 years of age or older. The sale of items to a designated agent for a minor or orphan should be restricted to those items that are appropriate for the authorized patron.

D. Visitors to Coast Guard NAFIs.

1. Visitors accompanied by a sponsor are authorized entrance to Coast Guard NAF activities. If the local command or NAF activity manager has security concerns and/or a high volume of visitor traffic results, visitor access may be limited.
2. NAF activities should develop policies regarding the use of NAF activities by visitors and bona fide guests. An exchange-authorized patron may sponsor up to four (4) visitors at any time. Each sponsor must present an ID.
3. If the NAF activity is utilizing a door checker(s) for ID validation, visitors must be entered on the visitor's log upon entering the NAF activity (Exhibit 10-4). Where it is not physically or fiscally feasible to have entrance ID checks, managers will ensure that ID checks are conducted at the checkout. The log need not be used if ID checks are conducted at the checkout.

E. Issue and Control Procedures for CG NAF Employee Identification and Privilege Card. All CGES employees, who are not otherwise authorized CGX privileges, are issued an Identification and Privilege Card, DD Form 2574 (Exhibit 10-5), by the CGX Manager upon completion of the ID Card Request Form (Exhibit 10-6). This card provides CGES employees limited shopping privileges in all Coast Guard, Navy, Marine Corps and Army/Air Force Exchange Services (AAFES) exchanges. The procedures for issuing and maintaining these ID cards are provided in the CGES SOP. MWR and CDC NAF employees are not issued this ID card. NAF MWR and CDC employees will be issued DHS ID cards, provided by the servicing APF civilian personnel services office.

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# EXHIBIT 10-1

## PATRON OFFENSES

ACTION	(R = Revocation)	1 <sup>ST</sup> OFFENSE	2 <sup>ND</sup> OFFENSE	3 <sup>RD</sup> OFFENSE
Attempt to purchase or purchasing restricted items.		Warning	R: 3 mos.	R: 6 mos., to permanent
Buying merchandise for resale.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Buying tax-free (alcohol/tobacco) merchandise for resale.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Buying merchandise for unauthorized customers.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Attempt to use or using an altered ID card.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Creating a disturbance while under the influence of an alcoholic beverage or illegal substance.		R: 3 mos.	R: 6 mos.	R: 1 yr. to permanent
Disreputable conduct. Use of insulting, abusive or obscene language.		Warning	R: 3 mos.	R: 6 mos. to permanent
Creating a disturbance by threatening another person.		Warning	R: 3 mos.	R: 6 mos. to permanent
Fighting or attempting to inflict bodily injury to another.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Unauthorized canvassing, soliciting or peddling.		Warning	R: 3 mos.	R: 6 mos. to permanent
Making disparaging references in regards to a person's race, color, religion, sex, national origin, age or handicap.		R: 3 mos.	R: 1 yr.	R: 1 yr. to permanent
Acts of sexual harassment, verbal and/or physical abuse.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent
Shoplifting, attempted or actual.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Theft of monies, attempted or actual.		R: 1 yr.	R: 1 yr. to permanent	Permanent
Wrongful possession of dangerous weapons.		R: 6 mos.	R: 1 yr.	R: 1 yr. to permanent

**NOTE:** Any punishment requires specific approval by COMDT (G-WPX).

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## EXHIBIT 10-2

### PATRON IDENTIFICATION

---

(See Customer Category)

#### **ACTIVE DUTY MEMBERS**

-Coast Guard, Army, Air Force Navy, Marine Corps	1
-Academy Cadets/Midshipmen	1
-National Oceanic & Atmospheric Administration (NOAA) Officers	2
-Public Health Service (PHS) Officers	3
-Reservists	12

#### **CIVILIANS**

-Auxiliarists	39
-Coast Guard Civilian Employees	41
-Contract Surgeons	20
-Red Cross: Paid/Uniform	31/32
-Military Exchange Employees	25
-Retired Exchange Employees (20 years or more service)	37
-TDY and occupying Government quarters	27
-Civil Air Patrol: Travel status and occupying Government quarters	28
-ROTC occupying Government Quarters	29
-Students/Faculty at Service Schools	30
-Student Externs	42
-Official Travel with leased/rented vehicle	35
-Working on/residing ON the military installation	31
-Working on/residing OFF the military installation	36

#### **DEPENDENTS**

-Active Duty	11
-Auxiliarists	40
-Retirees	11
-Reservists	13
-Foreign Personnel on duty with U.S. Armed Forces	19
-Exchange Employees	26
-Unremarried former spouse (married 20+ years)	16
-Unremarried spouse's children	15

#### **FOREIGN MILITARY PERSONNEL**

-On duty with U.S. Armed Forces (orders)	18
-Official visit to U.S. installations	22



**ORGANIZATIONS**

-U.S. Armed Forces activities composed of active duty military	23
-Departments: other than DHS	24

**RETIREEES**

-Coast Guard, Army Air Force, Navy, Marines, etc	4
-NOAA Officers	5
-PHS Officers	6
-Lighthouse Service	7
-National Ocean Survey	8
-National Geodetic Survey	8

**SURVIVING SPOUSES (Unremarried)**

-Active Duty	14
-Reservists in training	14
-Retired Exchange Employees (20 years or more service)	38

**VETERANS**

-100% Service-connected disability (Coast Guard, Army, Air Force, Navy, Marines, NOAA, PHS, etc.)	9
-Medal of Honor Recipients	10
-Hospitalized in military facility	23

## PATRON IDENTIFICATION

CUSTOMER CATEGORY	TYPE OF PRIVILEGE
1. Members of the U.S. Army, Air Force, Navy, Marine Corps and Coast Guard on extended active duty, and cadets/midshipmen of the military academies.	<u>UNLIMITED</u> . Entitled to purchase all merchandise or services
2. Commissioned officers of the National Oceanic and Atmospheric Administration (NOAA) on extended active duty.	Same as for Customer Category 1.
3. Commissioned officers of the Public Health Service (PHS) on extended active duty.	Same as for Customer Category 1.
4. Retirees of the U.S. Army, Air Force, Navy, Marine Corps, Coast Guard and their Reserve components with or without retired pay.	Same as for Customer Category 1.
5. Retired Commissioned officers of the National Oceanic and Atmospheric Administration (NOAA).	Same as for Customer Category 1.
6. Retired commissioned officers of the Public Health Service (PHS)	Same as for Customer Category 1.
7. Retired officers, crews of vessels, light keepers, and depot keepers of the former Lighthouse Service.	Same as for Customer Category 1.
8. Retired officers and crews of vessels of the National Ocean Survey and National Geodetic Survey.	Same as for Customer Category 1.
9. Honorably discharged veterans of customer categories 1,2, and 3 with 100% service-connected disability.	Same as for Customer Category 1.
10. Recipients of the Medal of Honor.	Same as for Customer Category 1.
11. Dependents of Customer Categories 1-10.	Same as for Customer Category 1.
12. Members of the Army National Guard of the United States, Army Reserve, Air National Guard of the United States, Air Force Reserve, Naval Reserve, Marine Corps Reserve, and Coast Guard Reserve.	Same as for Customer Category 1.

13. Dependents of Customer Category 12.	Same as for Customer Category 1.
14. Unremarried surviving spouses of Customer Categories 1, 3, 4, 6-10, 12, and 14. For categories 12 and 14, deceased sponsors must have died while in training status. Unremarried surviving spouses of nonregular personnel of the Army, Air Force, Navy, Marine Corps, and Coast Guard entitled to disability benefits under 10 USC 3687, 6148, and 8687. Also, unremarried surviving spouses of members who would have been entitled to retired pay at age 60, on and after the 60 <sup>th</sup> anniversary of the deceased member's birth.	Same as for Customer Category 1.
15. Dependents of Customer Category 14.	Same as for Customer Category 1.
16. Unremarried former spouse of a member or former member of the uniformed services, who, on the date of the final decree of divorce, dissolution or annulment had been married to the member or former member for a period of at least 20 years of service creditable for retired or retainer pay, or equivalent pay, and only if the final decree of divorce, dissolution or annulment is dated on or after 1 February 1983.	Same as for Customer Category 1.
17. Members of the Army National Guard of the United States, Air Force Reserve, Naval Reserve, Marine Corps Reserve, Coast Guard Reserve and Reserve officers of the Public Health Service not in duty status but hospitalized as a result of injury or illness incurred while in active duty status for training or inactive duty for training.	Same as for Customer Category 1.
18. Officer and enlisted personnel of the armed forces of foreign countries when on duty with the U.S. Army, Air Force, Navy, Marine Corps, or Coast Guard under competent orders.	<u>RESTRICTED</u> . Authorized to purchase all merchandise or services except for purchase of distinctive military insignia, badges or patches.
19. Dependents of Customer Category 18.	Same as for Customer Category 18.
20. Contract surgeons employed under a limited-term contract by the Surgeon General	Same as for Customer Category 1.

21. Honorably discharged veterans of the U.S. Army, Air Force, Navy, Marine Corps, Coast Guard and honorably discharged commissioned officers of the National Oceanic and Atmospheric Administration and the Public Health Service when hospitalized where exchange facilities are available.	Same as for Customer Category 1.
22. Officers and enlisted personnel of the armed forces of a foreign country when visiting a U.S. installation on official business.	<u>RESTRICTED</u> . Authorized to purchase for personal use all merchandise and services except distinctive military insignia, badges or patches. Purchase of tax-free tobacco products limited to two packs of cigarettes or 10 cigars per day.
23. Official organizations or activities of the U.S. Armed Forces composed of personnel on active military duty.	Same as for Customer Category 1.
24. Government departments or agencies when it is determined that the supplies or services cannot be conveniently obtained elsewhere and when the supplies or services can be furnished without unduly impairing the service to exchange patrons.	<u>LIMITED</u> . Authorized to purchase all merchandise or services except for uniform items and state tax-free items, i.e., tobacco and alcoholic beverages.
25. Employees of the Armed Forces exchanges. CONUS, Alaska, Hawaii, and Puerto Rico	<u>LIMITED</u> . Authorized to purchase all merchandise and services except for articles of uniform, tobacco and alcoholic beverages. CGES club privileges may be authorized at the discretion of the unit commanding officer.
OVERSEAS	Same as for Customer Category 1.
26. Dependents of Customer Category 25.	<u>ACCESS ONLY</u> . Not authorized to make purchases.
CONUS, Alaska, Hawaii, and Puerto Rico.	<u>LIMITED</u> . Same as for Customer Category 25 in CONUS when sponsor in travel status over 14 days.
OVERSEAS	Same as for Customer Category 1.
27. Civilian employees of DHS/DOD on TDY, and Coast Guard, Army, Navy, and Air Force Academy applicants, if occupying Government quarters.	Same as for Customer Category 25 for CONUS.

28. Members of the Civil Air Patrol when in a travel authorization status and occupying Government quarters.	<u>LIMITED</u> . Same as for Customer Category 25 for CONUS except can purchase articles of uniform authorized by Civil Air Patrol directives.
29. ROTC and Junior ROTC cadets visiting installations under competent orders as part of the ROTC Cadet Orientation Program, if occupying Government quarters; and members of the Naval Sea Cadet Corps on two-week summer training duty if occupying Government quarters.	Same as for Customer Category 25.
30. Civilian students and faculty members at service schools.	<u>RESTRICTED</u> . May purchase books, supplies and materials related to the school educational process and environment. This privilege is limited to the exchange that supports the service school.
31. Government civilian employees and full-time paid staff of the Red Cross, and their dependents who are required to reside on military installations within the CONUS, Alaska, Hawaii, and Puerto Rico.	Same as for Customer Category 25 for CONUS.
32. In overseas areas, U.S. citizen employees of the U.S. Government including those paid from nonappropriated funds, U.S. citizen employees of firms under contract to DHS, and Red Cross personnel assigned to duty with an activity of the Military Services. Included are DHS/DOD civilian employees in temporary duty status.	Same as for Customer Category 1.
33. Dependents of those assigned overseas, Customer Category 32.	Same as for Customer Category 1.
34. Members of the Civil Air Patrol and students participating in Army, Navy, Air Force Reserve Officer Training Programs within 3 months of graduation, when not in a training or travel status.	<u>RESTRICTED</u> . Articles of uniform and accessories only.
35. Civilian employees of the U.S. Armed Forces while in an official travel status or when driving a leased or rented vehicle authorized by travel orders.	<u>RESTRICTED</u> . Gasoline Only.

36. Within CONUS, Alaska, Hawaii and Puerto Rico, civilian employees of the U.S. Government working on but residing off military installations; uniformed or non-uniformed personnel working in recognized welfare service organization offices within an activity of the Military Services; and visitors to military installations.	<u>RESTRICTED</u> . Use of snack bar, restaurant, and vending machines if the unit commanding officer determines such facilities aren't otherwise conveniently available.
37. Retired employees of military exchange systems who retire with 20 years or more of service.	Same as for Customer Category 25.
38. Unremarried surviving spouses of Customer Category 37.	Same as for Customer Category 37.
39. Active members of the Coast Guard Auxiliary.	In CGES, same as for Customer Category 25, except can also purchase articles and accessories of the uniform. In AAFES, MCX and NEXCOM, can purchase articles and accessories of the uniform ONLY.
40. Dependents of Customer Category 39.	<u>ACCESS ONLY</u> . Not authorized to make purchases.
41. Coast Guard Civilian Employees.	<u>LIMITED</u> . Authorized to purchase all merchandise and services except for articles of uniform, tobacco and alcoholic beverages. CGES club privileges may be authorized at the discretion of the unit commanding officer.
42. Student Interns	<u>RESTRICTED</u> . Authorized to purchase health and comfort items; books; educational supplies and materials; food and snack items for on-premises or daily consumption; and personal services, such as laundry and dry cleaning, barber/beauty shop services, tailoring, shoe repair, and guest house accommodations. The purchase of other merchandise (including tax-free tobacco products, alcoholic beverages, and uniform articles) is not authorized.

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EXHIBIT 10-3

*Use CGES Letterhead for this document, and format locally.*

Date

\_\_\_\_\_(Name of Agent)\_\_\_\_\_ is hereby authorized to purchase items for \_\_\_\_\_Name of  
Authorized Patron\_\_\_\_\_, the bearer of Armed Forces Identification Card, No.\_\_\_\_\_. The  
purchasing authority is unlimited/limited to the following types of \_\_\_\_\_ (circle one)  
merchandise in the exchange:

This authorization expires on \_\_\_\_\_(Date)\_\_\_\_\_.

\_\_\_\_\_  
Signature of Authorized Patron

\_\_\_\_\_  
Signature of CGX Manager

*(REPRODUCE LOCALLY)*



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CGES EXCHANGE VISITOR LOG				
DATE	NAME OF VISITOR (Please Print)	PATRON		PATRON SIGNATURE
		NAME/RANK/RATE (Please Print)	UNIT	
* Signature verifies that patron will accompany the visitor(s) and that the visitor(s) will not make purchases except for food items for on-premise consumption at fountain snackbar or cafeteria outlets				

(Reproduce locally)

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# EXHIBIT 10-5

## CGES EMPLOYEE IDENTIFICATION CARD

PHOTOGRAPH 1" x 1 1/2"	C CARD NUMBER	
	ISSUE DATE (YYMMDD)	EXPIRATION DATE (YYMMDD)
	ISSUED TO (Name and Grade)	
BIRTH DATE	SOCIAL SECURITY NUMBER	
AUTHORIZED PATRONAGE	COLOR EYES	COLOR HAIR
LIMITED EXCHANGE THEATER	HEIGHT	WEIGHT
		SIGNATURE

DD Form 2574, MAY 91

( FRONT )

NON-TRANSFERABLE - VOID IF ALTERED	LEGAL STATUS: The holder of this card is an authorized patron of the Military Exchange Services & issuance of the card is in accordance with provisions of DoD Directive 1330.9 (Armed Services Exchange Regulations).		PROPERTY OF DOD	
	PLACE OF ISSUE			
	ISSUING OFFICER	SIGNATURE		
		NAME & GRADE (Typed or Stamped)		
	WARNING: Issued for official use of the holder designated hereon. Use or possession except as prescribed is unlawful and will make the offender liable to heavy penalty (18 U.S.C. 499, 506, 701 and 1001).			IF FOUND DROP IN ANY MAIL BOX POSTMASTER - RETURN TO: HQ AAFES-AD DALLAS, TX 75266-0202
ARMED FORCES EXCHANGE SERVICES IDENTIFICATION AND PRIVILEGE CARD				

DD Form 2574 (Back) MAY 91

( BACK )

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EXHIBIT 10-6

ID CARD (DD FORM 2574) REQUEST FORM

Coast Guard Exchange System	ARMED FORCES EXCHANGE SERVICES IDENTIFICATION AND PRIVILEGE CARD DD FORM 2574		
NAME (Last, First, Middle Initial) ( <u>Please Print</u> )	<u>SOCIAL SECURITY #</u>	<u>PAY BAND</u>	
<p>REASON FOR REQUESTING CARD (Check One):</p> <p><input type="checkbox"/> New Employee</p> <p><input type="checkbox"/> Present Card Expired</p> <p><input type="checkbox"/> Replace lost, stolen, mutilated, or destroyed card (Please Explain Below)</p> <p><input type="checkbox"/> Other, please specify</p>			
<u>DATE OF APPLICATION</u>	<u>PLACE OF ISSUE</u>	<u>SIGNATURE OF EMPLOYEE</u>	
<p>TO BE COMPLETED BY ISSUING OFFICER:</p>			
<u>CARD NO. ISSUED</u>	<u>DATE OF ISSUE</u>	<u>SIGNATURE AND TITLE OF ISSUING OFFICER</u>	

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## CHAPTER 11. TAXATION

- A. General. This Chapter covers the various Federal, state, and local taxes as they apply or do not apply to the Coast Guard Exchange System (CGES) and Coast Guard Morale, Well-being, and Recreation (CG MWR) operations and employees. CGXs and CG MWR are United States Government instrumentalities deemed essential for the performance of government functions. Therefore, they are entitled to whatever immunities the Coast Guard may enjoy under the Constitution and statutes. A full understanding of the tax regulations is necessary to take full advantage of the exemptions and to ensure the tax advantages are not abused. This Chapter covers general information for Federal and state taxes. Detailed reporting and payment requirements for payroll taxes must be researched in IRS Circular E, Employer's Tax Guide, and the various state and local tax publications.
- B. Federal Taxes.
1. Federal Income Tax (Corporate). NAF operations, as instrumentalities of the U.S. Government, are exempt from the payment of Federal income tax on profits. Therefore, they are not required to file income tax returns as organizational entities.
  2. Federal Income Tax Withholding (FITW).
    - a. Employees subject to FITW. Income tax withholding provisions under Section 3401 of the Internal Revenue Code apply to all wages paid to the following:
      - (1) NAFI employees who are U.S. citizens located within the United States, District of Columbia, Virgin Islands, Puerto Rico, U.S. possessions, and foreign countries.
      - (2) Aliens who are NAFI employees located in the United States, District of Columbia, Virgin Islands, and Puerto Rico. Aliens employed by NAFI operations located in the U.S. possessions other than above, are not subject to FITW.
    - b. Cash Tips. Employees must report cash tips received in the course of their employment to the employer on or before the tenth of the month following the month in which the tips are received. IRS Form 4070 may be used for reporting tips, and is available at the Office of the District Director of Internal Revenue. No reports need be made for any month in which the tips were less than \$20. Employees must furnish their employer with written statements of their tips showing:
      - (1) Name, address, and social security number.
      - (2) Name and address of the employer.
      - (3) Calendar month or period for which the statement is furnished.
      - (4) Total amount of tips received.



- c. Meals Provided. If meals are provided to employees for the benefit of the employer (i.e., manager is needed on premises or employees are not permitted to leave premises on breaks), the fair value of the meals are not taxable. If meals are provided to employees, but not for the benefit of the employer (i.e., meals are provided to employees at the concession food operation as a convenience either free or at a reduced charge), the fair value of the meals are subject to FITW, Federal Insurance Contribution Act (FICA) and Medicare, and applicable state, and local taxes.
  - d. Lump Sum Payments. Lump sum payments (i.e., cash awards, incentive awards, and annual leave reimbursements at *termination of* employment) are subject to FITW, FICA and Medicare, state and local taxes. FITW is at 27 percent; FICA and Medicare are at the current rates. Current state and local tax withholding rates are used to make lump sum payments. Lump sum payments are to be reported as part of "Wages, tips, other compensation" on employees' IRS W-2 forms.
  - e. OCONUS COLA. The cost of living allowance (COLA) for NAFI employees outside the contiguous United States (OCONUS) is not taxable for FITW, FICA and Medicare. However in some locations, state and local taxes may apply.
  - f. Payroll Procedures. Each NAFI operation shall ensure the following FITW tax documentation is included in payroll records for each employee: IRS W-4 and I-9 forms.
  - g. Federal Employer Identification Number. All NAFI operations, which open a bank account and/or pay wages and withhold taxes, must have a Federal Employer Identification Number. Application for a Federal Employer Identification Number is made on Form SS-4, available from the local Director of Internal Revenue.
3. Federal Insurance Contribution Act (FICA) and Medicare Taxes.
- a. Employees Subject to FICA and Medicare Taxes. Withholding of FICA and Medicare taxes commonly referred to as Social Security taxes, for purposes of CGES and MWR Instrumentalities, will be deducted by the NAF payroll system per current laws and regulations.
  - b. Employer Share of FICA and Medicare Taxes. Each NAFI operation, as an employer, is required to pay the employer's share of FICA and Medicare taxes.
  - c. Payroll Procedures. Each NAFI operation shall ensure the following considerations are included in their payroll procedures:
    - (1) Tips reported by civilian employees.
    - (2) Fixed gratuity (or service) charges added automatically to patrons' bills and subsequently distributed to employees.

4. Federal Unemployment Tax (FUTA). NAFI operations are not subject to payment of FUTA; however, they are subject to the payment of rightful claims made by previous employees. All unemployment claims of individual employees are initially processed by the applicable state. As instrumentalities of the Federal Government, claims against NAFI operations will be forwarded by the applicable state to the U.S. Department of Labor for payment. The Coast Guard will then be billed. Commandant (G-WPX) will pay such bills from the CGES overhead account and bill the appropriate NAFI for reimbursement.
5. Federal Communication Tax.
  - a. The U.S. Secretary of the Treasury has continued the exemption from the Federal Communication Tax for NAFI operations on the following types of communications:
    - (1) Long distance telephone or radio telephone messages.
    - (2) Local telephone service.
    - (3) Domestic telegraph, cable or radio dispatch messages.
  - b. No certificate of exemption is necessary to establish exemption from the tax on amounts paid directly for telegraph, telephone, radio, and cable services. NAFI operations must note on any bill submitted that it is an instrumentality of the United States.
  - c. This exemption applies only to official telephone calls and services and does not apply to personal calls made through facilities of the NAFI operations. This exemption does not extend to contractors or concessionaires.
6. Federal Tobacco Tax.
  - a. The Federal Tobacco Tax is applicable to tobacco, snuff and snuff flour, cigars, cigarettes, and cigarette paper sold by CGES or MWR operations within the United States (the 50 States and the District of Columbia). The tax is paid by the manufacturer or importer and is included in the price of the tobacco product.
  - b. The Federal Tobacco Tax, however, is not applicable for export to a foreign country, for shipment to a possession of the United States, or for consumption outside of U.S. territorial waters. In claiming this exemption, the manufacturer must be notified via the purchase document that the tobacco or tobacco products are "INTENDED FOR EXPORT OR SHIPMENT TO A POSSESSION."

7. Federal Manufacturers' Excise Tax.

- a. If a NAFI operation imports articles into the United States or District of Columbia to which the Manufacturers' Excise Tax applies, the NAFI operation must pay the tax (Internal Revenue Code, Section 4907) itself. NAFI operations located in the United States or the District of Columbia must purchase articles, to which this tax applies, at a price inclusive of such tax. This tax is paid by the manufacturer and included in the price of the articles, regardless of whether such articles are purchased for NAFI use or for resale.
- b. Under Section 4221 of the Internal Revenue Code, exemption from the Manufacturers' Excise Tax is available with respect to the purchase of supplies for export to a foreign country or for shipment to a possession of the United States. The purchase, made from a manufacturer, producer, importer or distributor may be regarded as a purchase from a manufacturer, provided such distributor has complied with the provisions of Treasury Regulation 46. Exportation or shipment to a possession of the United States is intended at the time of purchase, and exportation or shipment will follow immediately after delivery from the manufacturer. Accordingly, purchases of taxable articles for resale in foreign countries and possessions as defined herein shall be made on a tax exclusive basis. The foregoing exemption is available whether the articles are being purchased for NAFI use or for resale. The exemption does not apply with respect to articles for shipment to Alaska and Hawaii. In claiming this exemption, the purchase order form shall bear upon its face the words "FOR EXPORT OR SHIPMENT TO A POSSESSION." This authorized exemption to the Manufacturers' Excise Tax is applicable to motor vehicles, parts and accessories, tires and inner tubes, lubricating oil, recreational equipment, sporting goods, and fishing equipment. The firm from which the merchandise is purchased may require proof of export.

C. State Taxes.

1. Income Tax. NAFI operations are instrumentalities of the United States government, deemed essential for the performance of Government functions. Therefore, they are not subject to direct taxation by state or local taxing authorities, except when specifically authorized by Federal Statute.
2. State Income Tax Withholding.
  - a. NAFI operations are required to withhold income taxes imposed by states, territories, and the possession of Guam from compensation of civilian employees, as applicable. State income tax must also be withheld from compensation paid to off-duty military personnel, unless they legally reside in a state other than where they are stationed. In this case, the off-duty military employee must complete a non-resident state tax form. These forms may be obtained from the local state taxing authority or by contacting G-WPX or the servicing NAF personnel office for assistance.

- b. Each NAFI operation shall ensure that a state withholding form or non-resident state tax form is on file for each employee.
3. State Sales Tax (Direct Taxation). Instrumentalities of the United States Government are not subject to direct taxation by state or local taxing authorities, except when authorized by Federal statute. NAFI operations are not required to collect state sales tax for merchandise sold to authorized patrons. Special circumstances involving sale of Coast Guard memorabilia to non-exempt patrons will require collection of state taxes, if applicable.
4. State Sales Tax (Indirect Taxation).
- a. In the case of indirect taxation, the legal incidence of the tax is not on the NAFI, but usually on the manufacturer, wholesaler, or distributor. Hence, the constitutional immunity of the NAFI activity does not apply. As a result, when purchasing merchandise for resale from a manufacturer, wholesaler, or distributor, most products have a sales tax built into the cost of the item (i.e., usually invisible to the NAFI making the purchase).
  - b. Most States and the District of Columbia, have granted by statute or administrative action, an exemption from the payment of state taxes on the sale of beer, tobacco products, and soft drinks to manufacturers, wholesalers, and distributors, where the sale of the taxable product is made to a NAFI operation for resale to military personnel and their dependents. In these states and the District of Columbia, the resale price for the products concerned shall not include the state or District of Columbia taxes. Some States and territories require NAFI operations to pay such taxes but grant a refund upon proper application.
  - c. NAFI operations cannot control the sale of state tax-free products through vending machines without paying the state tax. All product vending machines shall be stocked with products on which the applicable state and local taxes have been paid.
  - d. CGES managers shall establish a system to regulate and monitor sales of tax-free cigarettes. Specific guidance on quantity control may be obtained from the CGES Standard Operating Procedures Manual. Sales made in excess of the quantities require that the authorized purchaser certify in writing that the state tax-free cigarettes are not for resale.
  - e. Concessionaires of NAFI operations must collect state and local taxes; they are not exempt from state and local tax requirements. They may add the taxes as surcharges or build them into the resale price of their goods.

5. Special (Occupational) Taxes.

a. NAFIs that sell alcohol must purchase an alcohol tax stamp annually. Only one tax stamp is required for operations at any specific unit, no matter how many different sales locations there may be on the unit. A "unit" also includes any support elements, which actually may be off-site, such as a housing complex. A CGES activity and the command's MWR activity are considered two separate "units." Forms to pay the Special Occupational Tax may be obtained from the Bureau of Alcohol, Tobacco, and Firearms (ATF).

b. NAF facilities located at other units must purchase separate tax stamps.

6. State Gasoline Taxes. The Federal Government permits the levying of state, territory or possession, and District of Columbia gasoline taxes upon the resale of gasoline by CGXs. State taxes on gasoline or other motor fuels measured by sales, purchases, storage, or use will be collected and paid according to the provisions of Title 4, United States Code, Section 104 ("The Buck Act"). Gasoline taxes do not apply where gasoline is sold for use in Government vehicles. This includes official NAF vehicles, or motor vehicles owned by and registered in the name of the American Red Cross, where the vehicle is operated by official personnel of that organization, and is used solely in connection with the work of the organization for military services of the United States. Records should be maintained to document these types of sales.

D. Local Taxes. Local taxes (city or county) may apply. Check with local taxing authority for guidelines.

## GLOSSARY OF TERMS AND ACRONYMS

<b>AAFES</b> .....	Army and Air Force Exchange Service.
<b>AC&amp;I</b> .....	Appropriated funds account that provides for the Acquisition, Construction, and Improvements of vessels, aircraft, shore facilities, etc.
<b>Accounting Controls</b> .....	Controls, which cover timeliness and accuracy of financial reports, maintaining stock and other appropriate ledgers, issuing checks, processing bad checks, etc.
<b>Accounting Costs</b> .....	Costs associated with services provided by third party accounting firms.
<b>Accounting Periods</b> .....	For financial reporting, the life of a business is divided into discrete time periods; the most common is twelve months long and is known as a fiscal year.
<b>Accounts Payable</b> .....	Goods and services received but not paid for.
<b>Accounts Receivable</b> .....	Amounts owed to NAF activities by customers and suppliers.
<b>ACH</b> .....	Automated Clearing House.
<b>Accrual Basis of Accounting</b> .....	A basis of accounting in which revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred.
<b>Accrued Liabilities</b> .....	Expenses that have been incurred but not yet paid.
<b>AFC-30</b> .....	Allotment Fund Control Code that provides appropriated funds for general operating and maintenance expenses.
<b>AFC-43</b> .....	Allotment Fund Control Code that provides appropriated funds for depot level maintenance expenses incurred in the shore unit program.
<b>Agent</b> .....	A person temporarily authorized, in writing, to purchase merchandise and services for authorized patrons unable to do so themselves.
<b>APF</b> .....	Appropriated funds, which are funds appropriated by the United States Congress to conduct Government business.
<b>ATF</b> .....	U.S. Bureau of Alcohol, Tobacco and Firearms.
<b>Authorized Business Activities</b> .....	Business activities categorized and authorized for NAF programs.

<b>Automotive and Service Stations</b> .....	An activity where the primary activity is selling petroleum products, automotive accessories, parts, tools, or performing automotive repair service.
<b>Auxiliary</b> .....	Active members of the U.S. Coast Guard Auxiliary who possess a valid U.S. Coast Guard ID card (form CG-2650).
<b>Available Profit</b> .....	Profit remaining after Retained Earnings are deducted from the net profit.
<b>Bad Debts</b> .....	Uncollectible Accounts Receivable.
<b>Balance Sheet</b> .....	The financial statement used to report the assets, liabilities and net worth for an individual NAF activity or a group of NAF activities.
<b>Bank Charges</b> .....	Fees levied by banks for account maintenance.
<b>Bank Statements</b> .....	Source documents provided by banks that itemize all transactions that took place on an account during a certain period of time.
<b>Book Inventory</b> .....	The value of inventory maintained throughout the year by tracking additions, deletions, and price changes associated with inventory stock.
<b>Budget</b> .....	Management tool used to project revenues and expenses based upon historical information and trend analysis to plan for the future and used to assess current financial performance against expectations.
<b>Business Activities</b> .....	An action, activity, or service which has the capability to generate revenue through the sale of goods and services to eligible patrons.
<b>Cash</b> .....	Includes currency on hand and in the bank, certificates of deposit, checks, and money orders.
<b>Cash Over and Short</b> .....	A Chart of Account that captures cash overages and shortages.
<b>Casualty Insurance</b> .....	Insurance coverage for workers' compensation, third party, and vehicle damage claims.
<b>CDC</b> .....	Child Development Center.
<b>CDC Remittances</b> .....	Profits generated from CDC activities will be distributed in accordance with the CDC Manual.
<b>CEU</b> .....	Civil Engineering Unit.

<b>CGES</b> .....	Coast Guard Exchange System.
<b>CGMWR</b> .....	Coast Guard Morale, Well-being and Recreation.
<b>CGX</b> .....	Coast Guard Exchange.
<b>Commandant (G-WPX)</b> .....	Coast Guard Office of Exchange and MWR.
<b>CONUS</b> .....	Continental United States.
<b>Concession Contract</b> .....	A contract between a NAFI and another, known as a concessionaire, whereby the concessionaire performs certain authorized activities at a CGES facility or a Coast Guard installation, or as otherwise agreed to in the contract.
<b>Contracts</b> .....	Legally binding agreements, which may be in writing or oral, between two or more parties. Contracts include rental, agency, vending machine, concession, services contracts, purchase orders and other contractual arrangements entered for the procurement of commodities, services and facilities.
<b>Current Assets</b> .....	Those assets expected to be realized in cash or sold or consumed during the normal operating cycle, which is typically one year.
<b>Current Liabilities</b> .....	Obligations expected to be satisfied by the use of current assets or the creation of other current liabilities, or to come due within one year.
<b>DD Form 2574</b> .....	Armed Forces Exchange Services Identification and Privilege Card.
<b>Direct Expenses</b> .....	Those expenses that are incurred by a NAF activity, which are directly associated with the operation.
<b>Direct Personnel Costs</b> .....	Those personnel costs that are incurred by a NAF activity, which are directly associated with the operation.
<b>DOD</b> .....	Department of Defense.
<b>DPP</b> .....	Deferred Payment Program (replaced by the Military Star Card).
<b>EFT</b> .....	Electronic Funds Transfer.
<b>Exchange Employees</b> .....	Civilian employees of all military exchange systems.
<b>FAR</b> .....	Federal Acquisition Regulations.



<b>FICA</b> .....	Federal Insurance Contribution Act; federal tax on wages paid by employers and employees.
<b>Fidelity Insurance</b> .....	Coverage against the loss of money and securities, which is sustained through any fraudulent or dishonest act committed by an employee acting alone or in collusion with others.
<b>Financial Controls</b> .....	Controls which cover cash accountability, daily financial reports, internal cash controls, investments, bank reconciliations, etc.
<b>Financial Statements</b> .....	Collectively the Balance Sheet, the Statement of Cash Flows, and the Income Statement.
<b>Fixed Assets</b> .....	Noncurrent assets which are long-lived, tangible assets used in conducting operations – property, plant, and equipment.
<b>FITW</b> .....	Federal Income Tax Withholding.
<b>FDIC</b> .....	Federal Deposit Insurance Corporation.
<b>FSLIC</b> .....	Federal Savings and Loan Insurance Corporation.
<b>FUTA</b> .....	Federal Unemployment Tax.
<b>General and Administrative (G&amp;A) Expenses</b> .....	Those indirect expenses incurred by NAF activities associated with support functions.
<b>General Journal</b> .....	Used to record all transactions that cannot readily be entered elsewhere.
<b>General Ledger</b> .....	A self-balancing record that summarizes financial activity for the entire unit.
<b>Gratuity</b> .....	Entertainment, meals, prizes, personal services or similar benefits of monetary value given to an employee of a Coast Guard NAFI or a member of the employee's family.
<b>Income Statement</b> .....	The financial statement used to summarize revenues and expenses.
<b>Indirect Expenses</b> .....	Expenses that are incurred from support functions.
<b>Interest Income</b> .....	Revenue derived from investing activities.
<b>Internal Audit</b> .....	An extensive review of controls which span several departments and numerous areas of business.
<b>Inventory</b> .....	Goods bought for sale in the normal course of business.

<b>Lease</b> .....	Contractual arrangement whereby assets are acquired but where ownership may or may not change hands.
<b>Liabilities</b> .....	Obligations to other entities that are the result of something that has already occurred.
<b>Limited Privileges</b> .....	Authorization to purchase all merchandise and services provided by CGES, except state tax-free items (tobacco products and alcoholic beverages) and articles of uniform.
<b>Long Term Liabilities</b> .....	Noncurrent debts that come due later than one year.
<b>McNamara-O'hara Service Contract Act of 1965</b> .....	Federal Law which requires service contractors to pay no less than the minimum wage.
<b>Military Services</b> .....	The United States Coast Guard, Army, Navy, Air Force, and Marine Corps.
<b>Military Star Card</b> .....	Credit card offered by the Exchange Credit Program that is accepted at all CGES exchanges.
<b>MWR</b> .....	Morale, Well-being, and Recreation.
<b>MWR Profit Distributions</b> .....	Profits from MWR revenue generating activities retained with the MWR activity.
<b>Net Profit</b> .....	Difference between revenues and expenses.
<b>Net Worth</b> .....	Residual interest in assets that remain after deducting liabilities.
<b>Nonappropriated Funds (NAF)</b> .....	Government funds derived from sources other than those Congress appropriates from tax dollars.
<b>Nonappropriated Fund Instrumentality (NAFI)</b> .....	An integral Coast Guard organization that performs a government function. It acts in its own name to provide or assist Coast Guard organizational elements in providing programs for military personnel and authorized civilians.
<b>Noncurrent Assets</b> .....	Assets of a physical and long-term nature.
<b>OCONUS</b> .....	Outside the continental United States.
<b>OCONUS COLA</b> .....	Cost of living allowance for specific government employees outside the continental United States.

<b>Open Purchase Orders</b> .....	Unfulfilled orders placed by NAF activities to purchase merchandise or services.
<b>Package Store</b> .....	An activity with the primary purpose of selling alcoholic beverages and related products for “off-premise” consumption.
<b>Payroll</b> .....	Expenses related to employee salaries and wages.
<b>Payroll Ledger</b> .....	An accounting record used to record all payroll information for individual employees.
<b>PCS</b> .....	Permanent Change of Station.
<b>Perpetual Inventory</b> .....	A count maintained throughout the year of the number of units of an individual stock keeping unit on hand.
<b>Personal Service Activities</b> .....	NAF operations, other than merchandise resale or food operations that provide services.
<b>Physical Inventory</b> .....	Value of inventory by actual count.
<b>Prepaid Expenses</b> .....	Payments for goods and services in advance of their use.
<b>Procurement</b> .....	Purchasing, renting, leasing or otherwise obtaining goods, services, or facilities.
<b>Property Insurance</b> .....	Provides protection against the loss of funds and physical assets owned by or in which the NAF activity is responsible or has a financial interest.
<b>Purchase Order</b> .....	Orders placed by NAF activities to purchase goods and/or services.
<b>Purchase Register</b> .....	An accounting ledger maintained for all financial activities of the unit to record purchases and accounts payable.
<b>Real Property</b> .....	Privately owned land/and or non-portable buildings and facilities.
<b>Remittance</b> .....	Payments from available profits as described in this Manual.
<b>Reserve for the Replacement of Fixed Assets (RRA)</b> .....	Pre-expense set aside (similar to depreciation) of an amount equal to a percentage of sales for replacement of CGES assets.
<b>Reserves</b> .....	The Army National Guard and Air National Guard of the United States, the Coast Guard Reserve, the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, and Reserve Officers of the Public Health Service.

<b>Restricted Privileges</b> .....	Authorization to purchase certain categories of merchandise and services provided by CGES.
<b>Retail Operations</b> .....	Activities selling merchandise for use to eligible patrons.
<b>Retained Earnings</b> .....	Portions of net profits a NAF activity must retain to ensure sufficient working capital.
<b>Revenue</b> .....	Inflow of assets or, occasionally, reductions in liabilities that are a result of normal operating activities.
<b>Satellite</b> .....	Operation established onboard cutters, operated by local commands using inventory, working capital and administrative support of the “parent” NAF operation.
<b>Service Contract</b> .....	A contract whereby a contractor performs a service for the NAFI, such as laundry, dry-cleaning, photo processing, and repair service. This type of contract may also include procurement of direct services such as a janitorial service.
<b>Shrinkage</b> .....	Loss of inventory or inventory value.
<b>Statement of Cash Flows</b> .....	The financial statement used to summarize the sources of cash inflow and outflow.
<b>Supplies</b> .....	Items, not intended to be resold, which are purchased to be consumed during the normal course of business.
<b>Targeted Review</b> .....	Type of internal audit.
<b>TD</b> .....	Temporary Duty.
<b>Trial Balance</b> .....	Listing of account balances from the general ledger.
<b>UNICOR</b> .....	Federal Prison Industries, Inc.
<b>Uniform Reimbursement</b> .....	Indirect reimbursement to CGES from appropriated funds for operating costs associated with sale of military issue uniforms.
<b>Unlimited Privileges</b> .....	Authorization to purchase all merchandise and services provided by Coast Guard NAF activities.
<b>Vehicle Comprehensive and Collision</b> .....	Covers damage to vehicles owned and operated by the NAF programs with “CGES or MWR” license plates only.
<b>Vending</b> .....	An activity that provides merchandise for resale through machines.

**Vending Machine Contract**.....Under this type of operation, the NAFI may own, rent, or lease vending machines and then issue a contract for a fee with a vendor to provide vending services as defined by the contract, vending merchandise owned by the NAFI.

**Wagner-O'Day Act** .....Federal law that provides for the purchase of certain commodities and services from workshops operated by blind and other severely handicapped individuals.

**Working Capital**.....Excess of current assets over current liabilities.